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IMPROVEMENT OF TAXATION IN DEVELOPMENT OF AGRICULTURE OF THE REPUBLIC OF KAZAKHSTAN

Abstract. The paper researched and identified the methodological basis for formation of a land tax in Kazakhstan, estimated a functioning mechanism of land taxation of legal entities and individuals using agricultural-use lands, substantiated recommendations for improving methodology of calculating land tax for agricultural-use land by types of land based on their zoning and economic evaluation.

Methodological basis for formation of the land tax in Kazakhstan are investigated and revealed; the functioning mechanism of the land taxation of the legal entities and individuals using agricultural lands is estimated; recommendations on improvement of calculation technique for the land tax on agricultural lands by types of land on the basis of their zoning and economic assessment are proved in the article.

Keywords: land tax, land rent, estimated value of agricultural land.

The entry into the market economy, the adoption of regulations concerning the development of the agrarian reform and land relations fundamentally alter the role of land and its functioning in economic relations. Law "On Land" declared paid land use, which is regulated by the Tax Code of the Republic of Kazakhstan. Forms of payment for the use of land resources recognized land tax, determined by the score soil fertility, and a single land tax, which is calculated as a percentage of the appraised value of the land. However, the tax is levied not based on land rent, the objective of monetary evaluation of land, does not take into account the profitability of agricultural production and its dependence on climatic conditions. For these and other reasons, the current system of land taxation does not fulfill the basic functions - fiscal and incentive. For the vast majority of taxpayers' land tax is unhindered and does not encourage the efficient use of land resources.

Development of the agrarian reform in Kazakhstan implies improvement of payment for the land which to date are set according to the procedure that does not meet the requirements of the present stage of development of market relations: the enforced payments are not equivalent to an objective financial assessment of land, do not account for return on production and its dependence on climatic conditions. Therefore, the land tax does not play a regulatory role. It has little effect on the level and nature of the use of land, does not encourage the use of the most efficient methods of farming. Differentiation of land tax does not fully reflect the differences in the location and fertility of land, even within the same district or area.

The destructive effects of the alleged flaws reduced the financial impact resulting in a fact that a share of land tax on the revenue part of the Kyzylorda region budget usually does not exceed 1.1%. And even this small amount of revenue is not fully utilized for the restoration of land and resource potential. In this regard, we can say that modern land tax legislation is not an effective ecological and economic incentive for rational land use, on one hand, and an essential source for accumulation of a state budget - on the other, one that requires finding solutions to methodological problems of land taxation and its further improvement.

This determined the choice of the subject for this study, its purpose and objectives.

Significant contribution to the development of the theoretical aspects of taxes and taxation was made by the scientists of the world thought and the distinguished works of Adam Smith and David Ricardo are among them. Subsequently the research of this economic category was continued by outstanding individuals of the 19-20 centuries - E.J. Dolan, M. Keynes, K.R. McConnell, A. Laffer, K. Marx (1938), S.L. Brue. In Russia, the theoretical, methodological and practical problems of taxation are studied by A.E. Sagaydak, A.V. Siginevich, D.G. Chernik and other scientists. In Kazakhstan the papers of V.A. Bobrov, V.D. Melnikov, N.E. Nauryzbayev, M.T. Ospanov are dedicated to taxation. Problems of taxation of the agricultural sector of economy associated with the agrarian and land reforms in the Republic are considered in the research papers of R.R. Autov, V.V. Grigoruk, Z.D. Dyussenbekov, G.A. Kaliyev, L.I. Podolsky, A.A. Satybaldin, E.M. Upushev, A.D. Umbitaliev and others.

However, the issues of developing new assessment methods for land tax and its impact on agricultural production has not received adequate research as an independent object of study of the RK economists. Problems of land taxation require regional and integrated scientific and practical approach to its improvement. Thus, based on the urgency of the problem, insufficiency of the research and high-level priority of improving land taxation, there is a need for more in-depth research in this direction.

Basic objective of the research is to investigate the specificity of the existing order of land taxation for subjects of economics, the development of proposals for improvement of methods for determining base rates of land tax on the basis of zoning and the estimated value of agricultural land.

Categories of land tax and land rent are closely related. At that, the starting points are the rent relations defining the functions of land tax based on which, in turn, set the amount of taxes and take other decisions [1, p. 40].

The founders of the theory of land rent are classics of political economy B. Petty (1993), K. Marx (1938).

"Mysterious nature" of money rent of lands is explained by B. Petty (1993): "Let's say that someone can cultivate their own hands, dig in, plow, harrow, sow, compress a surface and, as required by agriculture, take away, thresh, winnow bread grew up on land. If he will deduct from the harvest grain used by him for planting, as well as all that he consumed and gave the others to meet their needs, the rest of bread is the true land rent of the year" [2, p.28].

K. Marx (1938) devoted chapter 6 of the III volume of "Capital" to research of land rent. He defines the process of its formation as follows: "The assumption of the capitalist mode of production is as follows: the real farmers get the job from the capitalist-tenant who is farming only as a special area of operation of capital, as the application of his capital to a particular sphere of production. During certain periods this capitalist farmer pays the landlord an amount of money specified by the contract for permission to use his capital in this industry. This sum of money is called a land rent. It is paid for the entire time that the landlord lent or rented land to the tenant by agreement. Consequently, the land rent here is that economic form in which the ownership of land is economically implemented, delivers value" [3, p.546].

Economic theory distinguishes differential rent I and II. The first one deals with unequal quality of land sections and its location, the second one - with the unequal efficiency of supplementary labor and capital costs. However, in practice, it is very difficult to separate them [4, p.42].

In agriculture, during the Soviet period, the removal of differential rent was carried out by zonal differentiation of purchase prices. This mechanism was imperfect and criticized [5, p.161]. Since gaining independence, a law "On Land Tax" has been developed the republic. In the process of its arrangement, the methodological problems of land taxation have been subjected to debatable discussion. One group of researchers proposed taking a rent payment as a basis of land tax, the other one - its modern natural fertility expressed by score of site quality class of soil [6, p.7]. Due to lack of methodology for calculating rent payment, the scores of site quality class of soil were taken as a basis for identifying the basic tax rate.

When using the score of site quality class of soil in land taxation, a land is seen as a natural resource out of business. Site quality scores are based on the natural properties of soils characterized by the composition of humus, nitrogen, phosphorus, sodium, magnesium, salt, physical clay, humus horizon amount. The Republican method is based on the principle: the more humus, the higher the rate of soil site quality. In practice, a high score of site quality is not a guarantee of high yield, as well as a low site quality

of soil is not an indication of its poor fertility. These shortcomings of soil evaluation methods do not provide the leveling of the economy and do not create conditions for sustainable land use.

In many countries of the world there is a single standard on methods of tax assessment: availability of land cadastre which includes the qualitative and quantitative account of land and the economic evaluation of land, based on which, the value of land tax per unit of taxable area is determined by using different correction factors and tax rate. The laws of some countries the land tax are aimed at encouraging the rational use and protection of land resources, the regulation of ecological balance and the income of agricultural producers.

Currently, the system of land taxation is regulated by Section 14 of the Tax Code of the Republic of Kazakhstan [7]. In contrast to their previous counterparts, recorded in the laws "On land tax" and "On taxes and other obligatory payments to the budget," the section on land tax is undergoing significant change; there is a replacement of concepts, names, introducing new elements of tax, detailing methods for calculation of basic tax rates, etc. However, the law did not reflect the fundamentally new methods to resolve tax issues.

For agricultural land, the lowest rates are set on a comparable unit of land area. Minimum basic rate of land tax on the land valued at 1 point of site quality is only 0.48 KZT per 1 ha, i.e. a purely symbolic value. The maximum basic rate of land tax on the land with site quality score over 100, depending on the zone is 202.65 and 50.18 KZT per hectare.

The main purpose of introduction of two special tax treatments is to create a favorable institutional and economic conditions for increasing the actual receipt of funds in the budget, enhancing production volume, processing its performance and implementation. The above modes are applied along with the conventional system of taxation under the laws of the RK.

To determine the tax burden, the cost of a patent for a production cooperative (Table 1).

Table 1 - Calculation of a patent value of the JSC "Shamenov" in 2015, thous. KZT

№	Key Indicators	Monetary Indicator, KZT
1	Total area (ha)	16797
2	Average annual payroll	11000
3	Total annual income including VAT	54832
4	including VAT	4985
5	Costs of obtaining income, VAT included	29061
6	including VAT	3301
7	Amount of VAT payable (p. 4- p. 6)	1684
8	Land tax	49,8
9	Property tax	207,7
10	Vehicle tax	193,7
11	Social security tax (p.2*11%)	1210
12	Taxable income (to deduct the amount of lines (5,7,8,9,10,11) from p. 3	20743,8
13	Corporate Income Tax (p. 12*10%)	2074,4
14	Total tax amount to privileges (amount of lines: 7,8,9,10,11,13)	5419,6
15	Due to the amount of taxes paid (p. 14 ~ 30%)	1625,88
16	Cost of patent - a fixed amount of total tax of peasant entities and farms (p.15)	1625,88
	Tax of 1ha, KZT	96,8

* Note - calculated by the author using data from the financial statements of JSC "Shamenov" for 2015, thous.KZT

Under the activity of agricultural businesses in the simplified taxation mode, the entities shall pay taxes, fees and charges other than the cost of a patent and not included in the calculation of the total tax in accordance with the laws of the Republic of Kazakhstan. The main ones are the individual income tax, mandatory pension contributions, payment for water.

The patent system is the result of government measures aimed at improving the efficiency of agricultural production. Therefore today there is a need for economic evaluation of land considering the production results.

In the development of the methodological basis of the economic evaluation of land resources can be identified 4 concepts by analyzing that we adhere to the rental [8, p.398]. This concept formed the basis of

"Guidelines for the calculation of base rates assessed value of agricultural land", developed GosNPTszem [9]. Coauthor Kushenova M.Sh. among the developers of this technique. New base rates represent the estimated value of capitalized land rent, and are set as fixed parameters by type of farmland on soil types differentiated for each administrative region of the Republic.

In determining the base rates of the assessed value of arable land, the key indicators per 1 hectare are adopted as follows:

- yield of agricultural products;
- selling price of agricultural products;
- gross output value of 1 hectare;
- production costs for 1 ha;
- estimated rental income and capitalization rate (8%).

With an average yield of major crop rotation and crop structure cultures of the sown areas, the productivity of the area is determined by the main soil types and soil subtypes accordingly to the formula:

$$Y = Y_1 * Y_{B1} + Y_2 * Y_{B2} + Y_n * Y_{Bn}, \quad (1)$$

where Y - the average weighted yield on the basic types and subtypes of soils in the area, hwt / ha; $Y_{1,2,\dots,n}$ - crop yields, hwt / ha; $Y_{B1,2,\dots,n}$ - share of the agricultural areas in the structure of user groups of soil, (fraction).

At that, a transfer of crop rotation cultures and yield calculation in the rice-growing area are performed accordingly to a leading culture, i.e. to rice.

The gross output value of arable land is defined as a multiplication of the average yield on cost of sales by the formula:

$$VPs = Y * Pp, \quad (2)$$

where VPs - gross output value; Y - average yield, hwt / ha; Pp - cost of production sales.

Ground rent (rental income) is determined by subtracting costs for its production from the gross output value:

$$R_L = VPs - Zp, \quad (3)$$

where R_L - land rent; VPs - gross output value; Zp - costs of production.

Base rates for the estimated value of arable land area by major types and subtypes of soils are determined by dividing a rental income into the capitalization rate.

$$B = R_L : K, \quad (4)$$

where: BS - base rate fee; R_L - land rent; K - capitalization rate of land rent.

In assessing the arable land where the object is the soil contour or field of crop rotation, there is a need to take into account the properties of soil that impact on the productive capacity of cultivated crops, i.e. on their productivity. These expressed differentiating properties have a salinity and a texture of the root thickness. Therefore, payments for land should be supplemented with correction factors on the natural properties of soil, as the most land areas are characterized by not only a great variety of soil, but a variety of field contour.

Price zoning for identifying the estimated value of agricultural land with objects of irrigated cropland, natural hayfields and pastures is made in the Zhalagash area of the Kyzylorda region based on primary materials of soil and geo-botanical research, climate indicators, the data of the Department of Agriculture in the area.

In the process of calculating the estimated value of the basic rates of price, there were allocated 205 cost circuits with a price range from 61.4 to 87.7 thousand KZT; the price circuits are combined into 5 classes of price with the price range in 5 thousand KZT.

As the basis of the methodical approach for determining base rates of the estimated value of natural grassland yield are adopted a profitability of lands of varying quality defined in terms of productivity, cost of production on land use in order to obtain the products and selling price. It is fixed an average crop yield in centners of fodder units and the value of the land per 1 ha in KZT is determined for each circuit. In assessing natural grassland by the largest assessed value it is allocated 4 price class in pastures and 2 price

class on hay with a price range of 1 thousand KZT/ha; at that the price of 1 ha of pasture ranges from 1.5 to 4.6 thousand KZT and hay - from 7.5 to 15.6 thousand KZT.

Price zoning and the estimated value of agricultural land are real basic criteria for establishing land taxation for agro formations directly related to the use of land for agricultural production.

Taking into account the low rate for the land resources, it is proposed to set a new model of determining a land tax on agricultural land for all legal and physical entities by 0,1% rate of estimated value of agricultural land.

Example: The JSC "Shamenov" fulfilling its obligations to the state budget on the basis of a patent, in 2011 it accrued 49.8 thousand KZT on payment account of land tax that compiles 3 KZT per 1 ha of agricultural land in average.

The table of the proposed estimated value of land tax on the base rates of payment for land shows that the amount of land tax will be 226.2 thousand KZT, i.e. will be increased by 4.5 times. However, for companies that operate on the basis of the patent, this innovation will not be burdensome, as the land tax included in the patent cost is subjected to 70% of privileges. Then the production cooperative "Shamenov" should pay 68 thousand KZT instead of 15 thousand KZT to the budget.

Table 3 - The assessed value of land tax on the agricultural land in the JSC "Shamenov"

Objects taxable by score of site quality of soil	Area, ha	Score of site quality of soil	Rate of tax, KZT per 1 ha	Amount of land tax, KZT	Objects taxable by land tax on mechanical composition of soil	Area of agricultural land, ha	Rate of land payment, thousand KZT per 1 ha	Tax rate, %	Tax amount, KZT
Existing procedure					Proposed procedure				
<i>Arable land</i>	357	32	15.5	7076	<i>land:</i>				
	1165	30	9.65	11242	Heavy- clayey	690	70.2	0.1	48438
					Clayey	475	78.9		37477
					Easy-clayey	205	83.4		17097
					Heavy- moderately clayey	152	87.7		13330
<i>Arable land</i>	14261	8	1.93	27524	<i>Pastures with an average yield of 3.2 f.un/ ha</i>	14261	6.8		97718
<i>Hay-fields</i>	1014	16	3.86	3914	<i>Hay-fields with an average yield of 5,6 f.un/ ha</i>	1014	12.0		12185
Total	16797			49756	Total	16797			226245
* Note - the table is calculated by the authors									

Recommended methodological framework for improvement of land tax is aimed at overcoming nature-gluttony character of modern agricultural production and reduction of land losses, as well as an increase in local budget revenues.

Fee-paying environmental management necessitates the development of theoretical, methodological and practical provisions of charging for the use of natural, in particular, land resources.

Study of foreign experience taxation shows that the land tax in these countries is based on rent - a part of income from the land which determines the price of land. The regulatory framework for calculating land tax rates are the data on the appraised value of land and its profitability. The information base for calculation of these ratios is the land cadastre including data of qualitative and quantitative data of land account and the economic evaluation of land. The objective assessment of the land is of great importance. Legislation of foreign countries provides a long list of benefits aimed at implementation of various social and environmental programs.

The first and main form of land tax on agricultural land introduced in independent Kazakhstan was the tax based on site quality scores of soils, established by humus content in the soil and degree of a number of other soil properties and features that affect soil fertility. In this case, too much meaning, not peculiar to them are practice given to site quality scores. Soil rating for its natural properties does not replace the economic assessment of land and has the optional value. Therefore, the tax rate set according to soil rating data, has numerous contradictions which has not been given much importance to, because of a low value of own rates. Law on land tax was developed at a time when most farms for various reasons (price disparity, etc.) formed not yield differential, and the differential loss - that is, a rent with negative sign. Low tax rate in these conditions was a desperate measure.

Research and practical work on the economic assessment of land have been developed in the framework of several concepts, including the author's one - conception of rate. Capitalized land rent is the basis of "Method for calculating the base rate of the assessed value of agricultural land" which provides a framework to improve the land taxation.

Determination of land tax only on the basis of qualitative characteristics of soil in the market economy is not enough. When calculating the land tax, not only natural factors, but economic conditions should be implemented: cost of production, income (rent) recorded in the "Method for determining the base rate of assessed value for the agricultural land" developed by the State Scientific and Production Center of Land Resources and land management of Kazakhstan where the calculation of price of land by type of land is made by the method of capitalization of land rent. Discounted present value of future payments of rent is a modern interpretation of the ideas of D. Ricardo, who had concluded in the early 19th century: if the total supply of land is fixed, it will always be rented for a fee, which is set during the competition and, consequently, the value of land is completely determined by cost of grown production and not vice versa.

In order to better account the quality of agricultural land, it is proposed to introduce to the base rates of the land price the adjustment factors on the natural properties of soil that affect fertility. In particular, for the land rice massifs it is necessary to enter them on the texture of the soil, with the greatest impact on their productive capacity under the given usage.

It is proposed to establish the mechanism of calculation of land tax for agricultural enterprises in the amount of 0.1% of the assessed value of the assigned arable land.

Calculations made by the example of farms of the Zhalagash area of the Kyzylorda region showed that compared to the land tax on scores of site quality of land tax rate, calculated by the proposed method are increased by 4 and more times, and compared to the rate of the single land tax determined on the basis of base rates for land approved by the Government - are reduced by 1.5-2 times. In this case, the land tax is linked not only with quality but also with a yield of land, i.e. is more objective.

The proposed improvement of the methods for calculation of land tax would promote an overcome of nature-gluttony character of modern agricultural production and reduction of land losses, as well as an increase in local budget revenue.

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ҚАЗАҚСТАН РЕСПУБЛИКАСЫНЫҢ АУЫЛ ШАРУАШЫЛЫҒЫН ДАМУДА САЛЫҚ САЛУДЫ ЖЕТІЛДІРУ

Аннотация. Мақалада Қазақстанда жер салығын қалыптастырудың әдістемелік негіздері зерттелді және анықталды, ауыл шаруашылығы алқаптарын пайдалану заңды және жеке тұлғаларға жер салығын салудың қазіргі жұмыс істеуші механизмі бағаланды, олардың аймақтарға бөлу және экономикалық бағалау негізінде жер түрлері бойынша ауыл шаруашылығы мақсатындағы жер бойынша жер салығын есептеу әдіснамасын жетілдіру бойынша ұсыныстар негізделген.

Түйін сөздер: жер салығы, жер рентасы, ауыл шаруашылығы мақсатындағы жер бағалау құны.

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СОВЕРШЕНСТВОВАНИЕ НАЛОГООБЛОЖЕНИЯ В РАЗВИТИИ СЕЛЬСКОГО ХОЗЯЙСТВА РЕСПУБЛИКИ КАЗАХСТАН

Аннотация. В статье исследованы и выявлены методологические основы формирования земельного налога в Казахстане, оценен функционирующий механизм земельного налогообложения юридических и физических лиц, использующих земли сельскохозяйственного назначения, обоснованы рекомендации по совершенствованию методики исчисления земельного налога с земель сельскохозяйственного назначения по видам угодий на основе их зонирования и экономической оценки.

Ключевые слова: земельный налог, земельная рента, оценочная стоимость сельскохозяйственных угодий.

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