TAXATION OF AGRICULTURAL ENTERPRISES AND THE ORGANIZATION OF THEIR ACCOUNTING SYSTEMS

Abdullayev Abdurauf
Doctor of Economic Sciences, Professor
Andijan State Technical Institute

Abstract. One of the key aspects of the relationship between agricultural enterprises and the state is the tax system. From an accounting perspective, the relevance of this issue lies in the fact that information on the economic activities of enterprises is aggregated in absolute values, forming indicators that serve as the basis for taxation.

This article focuses on evaluating the impact of the tax system on the financial and economic condition of agricultural enterprises. The study provides a comprehensive assessment of the tax burden and highlights its role in ensuring economic stability and sustainable development.

Keywords: tax system, absolute value, tax legislation, state budget, tax base, tax accounting, profit, land area, water volume, tax burden, evaluation, budget stability.

INTRODUCTION

The evolving nature of tax legislation and its ongoing development, along with certain inconsistencies between accounting practices and tax regulations in specific areas, issues related to taxpayers' compliance with tax legislation, and the limited availability of sufficiently transparent information, may collectively contribute to elements of uncertainty for individual taxpayers and, to some extent, influence the stability of the state budget.

At the same time, the relationship between the taxpayer and the tax authority reflects differing economic objectives: the former seeks to optimize tax payments, while the latter aims to ensure sufficient revenue collection. The behavior of taxpayers is influenced by the existence of the tax base and the intention to manage it efficiently.

An analysis of current tax practices indicates that the following indicators are considered as components of the tax base: the value added created by produced goods, profits derived from non-agricultural activities, land area, the volume of water used from water management systems, and the power capacity of motor vehicles (measured in horsepower).

In accounting practice, the diversity of tax bases and tax rates contributes to the complexity of calculating and recording tax liabilities. The presence of numerous accounting entries related to tax accounting increases the complexity of maintaining accounting systems in agricultural enterprises. Consequently, the multiplicity of taxable bases, various calculation methods, and the need to reflect amounts across different accounts create challenges for simplification.

Furthermore, the variety of taxes, the complexity of their calculation, and their inclusion in production costs make it difficult for producers to promptly determine the monthly, quarterly, and annual amounts of taxes payable to the budget. This, in turn, may complicate the planning of economic and financial activities.

In practice, agricultural enterprises may also generate income from non-agricultural activities. Considering the seasonal nature of agricultural production, particularly in crop farming, employees of agricultural enterprises may engage in alternative activities during periods of reduced production. These may include services within the agricultural sector, as well as industrial activities related to processing raw materials supplied to enterprises. The share of income derived from such activities can be significant; however, it is not always fully considered in the development of core agricultural production. Therefore, relying solely on profit as the basis for taxation may not sufficiently encourage the development of agricultural production.

ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 03 in March-2026
https://www.gejournal.net/index.php/IJSSIR

In this regard, it is advisable to consider further simplification of the tax system, taking into account existing benefits and incentives. Given that agricultural production is already supported through various preferential mechanisms, additional measures aimed at reducing administrative complexity could enhance efficiency without imposing unnecessary restrictions on enterprises.

Payments for land use play an important role in agriculture. Land payments are applied in the form of land tax or rent, determined based on the quality, location, and water supply of the land plot. Tenants are required to pay rent, the amount of which is established by agreement between the parties within the framework and limits defined by national legislation.

LITERATURE REVIEW

Land tax is paid by all owners of agricultural land, regardless of the form of ownership, provided that the productivity of land plots allows for the generation of differentiated rental income.

The taxation of agriculture has been extensively studied by economists from various countries. In studies examining the nature of income generation in agricultural production, scholars consistently conclude that the source of taxation should be land rent, while the object of taxation should be land area [5, p. 28; 6, p. 130].

They consider rent as "a distinct category of income in the economy, emerging as a result of natural economic evolution and existing independently of the institution of land ownership" [9, p. 132].

According to David Ricardo, "any land tax cannot stimulate agriculture; an average tax may not significantly delay production growth, but it is also unlikely to promote it" [2, p. 28]. This statement formulates a fundamental requirement for any system of agricultural taxation: it should not hinder the development of the sector. The more fully this requirement is satisfied, the more effective and well-designed the taxation system becomes.

The right to land ownership implies the right to derive certain benefits or income from its use. In centrally planned administrative economies, the state, as the sole landowner, primarily collected rent through mechanisms such as differentiated procurement prices and various forms of additional payments. By the late 1980s, this system had become highly complex, with individual procurement prices often established for nearly every enterprise. Changes in price levels sometimes led to imbalances in evaluating enterprise performance, which highlighted the need for more transparent and efficient economic mechanisms. As a result, the predominance of distributive approaches in production-oriented systems revealed structural limitations and encouraged the search for improved policy instruments.

To address the limitations associated with rent extraction through procurement pricing, a number of economists supported the introduction of land tax [4, p. 10–17]. Indeed, land tax has several advantages compared to differentiated procurement prices. A tax that is not directly tied to production volume contributes to the rational allocation and specialization of production. With the introduction of land tax, differences in income derived from selling identical products under varying production conditions—whether favorable, average, or less favorable—can be reduced. Compared to differentiated pricing mechanisms, land tax more effectively equalizes economic conditions of production, as it takes into account existing differences more comprehensively and can be established at differentiated rates for each producer [4, p. 10–17; 7, p. 120].

RESEARCH METHODOLOGY

In the course of investigating the issues addressed in this article, a set of general scientific and specialized research methods was employed. These include theoretical analysis, induction and deduction, a systems approach, as well as abstract and logical reasoning. In addition, monographic observation and methods of data presentation were applied. The study also utilized analytical tools

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https://www.gejournal.net/index.php/IJSSIR

such as analysis and synthesis, grouping, and comparative methods to ensure a comprehensive and well-grounded assessment of the research problem.

ANALYSIS AND RESULTS

By its economic nature, the land tax, which is intended to capture rental income generated from agricultural production, has also been subject to critical discussion among some economists. In particular, it is noted that the main limitation of this tax lies in the methodology used to calculate rental payments, where only differential rent I (arising from differences in land quality and location) is taken into account, while differential rent II (resulting from differences in the efficiency of capital investments) is not fully considered [2, p. 30].

The amount of land tax is established in the form of stable payments per unit of land area for each year and is not directly dependent on the results of economic activity of landowners, land users, or tenants. Taxpayers of land tax include all agricultural enterprises, regardless of their organizational-legal form or ownership structure. The objects of taxation comprise agricultural land allocated for agricultural production and subsidiary farming, forest fund lands, as well as water fund lands used for economic activities. In the case of leased land, rent payments are applied.

The primary objective of introducing land tax is to ensure the rational use and protection of land resources, stimulate the development of new lands, improve soil fertility, equalize socio-economic conditions for managing lands of varying quality, support infrastructure development in rural areas, and form dedicated financial resources to support these activities.

The amount of land tax is determined based on base rates calculated in accordance with cadastral documentation, taking into account the size, location, and quality of land plots. The average tax rate per hectare of arable land varies depending on the land classification across regions and districts. Land tax rates are established for all types of land, including both agricultural and non-agricultural lands within the forest fund.

All lands evaluated by the cadastre are subject to taxation according to their fertility levels, regardless of land type and actual use. For agricultural lands, land tax is determined based on established rates for specific categories, such as arable land, perennial crops, hayfields, and pastures.

Land tax and rent payments are calculated based on legal documents confirming ownership, possession, or usage rights of land plots, or their equivalent documentation, and are assessed separately for each plot. Land tax is calculated starting from the month following the allocation of the land plot. It is assessed individually for each land plot and, in the case of residential land, separately for each household.

Legal entities allocate accrued land tax payments in equal monthly installments: for land related to core activities, the tax is included in production costs and operating expenses; for land not related to core activities, it is assigned to the relevant financing sources.

On the one hand, excessively high payments for land use may create additional financial pressure on less efficient farms and potentially limit their development opportunities. On the other hand, appropriately determined land tax rates, combined with effective economic incentives, can serve as an important regulatory mechanism, encouraging the efficient use of land and enhancing productivity.

At present, there is no complete consensus among economists regarding the determination of differential rent. Some argue that full withdrawal of rent may reduce incentives for improving land fertility and affect the economic interests of land users [5, p. 28]. From another perspective, differential rent represents additional income, and therefore its taxation should remain within reasonable limits, comparable to standard income taxation principles.

Other scholars emphasize that remuneration levels should correspond to the objective production characteristics of land plots and should not vary solely based on labor input or quality [5,

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p. 28]. Increasing production intensity and output should not automatically lead to higher land tax or rent payments. Accordingly, proposals to incorporate land tax into income tax are considered impractical. Instead, it is more appropriate to base land-related payments on cadastral valuation rather than directly on income generated from land use.

The term “cadastre” originates from a Latin word meaning “register” or “inventory for taxation purposes.” In modern practice, it represents a comprehensive system of data on land resources, including their quantity, quality, location, classification, distribution across sectors of the economy, as well as information on land users and economic units. It encompasses data on the legal status of land, its fertility, technological characteristics, economic potential, and overall significance within the national economy.

According to some economists, limiting taxation of agricultural enterprises to a single land tax may lead to a reduction in state budget revenues, particularly given the high profitability of certain agricultural products [1, p. 248]. They also suggest that separate taxation of income derived from non-agricultural activities may constrain the development of auxiliary enterprises and entrepreneurship. Therefore, they propose maintaining a dual-channel system that includes both land tax and income tax [8, p. 126].

An analysis of the current system of tax relations between agricultural enterprises, the state budget, and extra-budgetary funds indicates the need for further improvement to better support the development of agricultural production. The existing tax base is largely derived from labor-related value indicators. Extensive tax benefits, while supportive, may also create incentives for restructuring business activities to optimize tax liabilities.

In this context, the perspective supporting the introduction of a unified land tax in agriculture appears to be well-grounded. Agriculture is a sector in which land serves as the primary means of production. Therefore, it is reasonable to consider a taxation system based predominantly on land use, where the tax base could be aligned with differential rent, as practiced in some European countries. Under such an approach, other forms of taxation could be streamlined.

The logic of this approach lies in the fact that the current taxation system in agriculture relies on multiple bases—such as wage funds, income, and profit—making it complex. For producers, the specific base of taxation is less important than the overall level of payments made to the state as a result of land use efficiency. From an economic perspective, a unified and consistent tax system would be more transparent, rational, and easier to administer [1, p. 249].

CONCLUSION AND RECOMMENDATIONS

Thus, based on the analysis of the theory and practice of taxation, it can be concluded that in agriculture the tax base should be determined not by the results of production (profit indicators), but by the factors of production. This is due to the specific nature of agriculture, where land serves as a key production resource, and its quality, fertility, and location significantly influence production outcomes. Such an approach enables enterprises to clearly determine the amount of payments to the state budget regardless of their financial condition in a given year, while also promoting the efficient use of available land resources.

At the same time, accounting loses its purely fiscal function, as producers no longer have incentives to conceal the results of their economic activities. Instead, accounting becomes an effective tool for identifying weaknesses in хозяйственная activity and improving management efficiency to maximize income. In this context, the work of tax authorities in ensuring the completeness of tax payments is simplified, as the need to detect hidden profits is reduced. In our view, using land rent as the source of taxation and land area as the object of taxation represents a more progressive approach compared to taxing enterprise performance results.

The introduction of a unified land tax significantly simplifies the accounting of tax relations in

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https://www.gejournal.net/index.php/IJSSIR

agriculture, as it requires only two basic accounting entries: for the accrual of land tax — debit of the "main production" account and credit of the "settlements with the budget" account; for the payment of land tax — debit of the "settlements with the budget" account and credit of the "current account."

The main advantage of such a taxation system, which is not directly dependent on the results of taxpayers' activities, lies in its ability to reduce tax avoidance, encourage efficient use of available resources, and support the sustainable and profitable operation of enterprises.

Therefore, a taxation system based primarily on land tax can be more effective for agriculture for several reasons. First, the payment of a unified land tax allows agricultural producers to better ensure their financial stability. This system encourages landowners and tenants to maintain an optimal land size and use it efficiently. Moreover, efficient land use motivates land users to improve soil fertility, which ultimately contributes to increased economic efficiency of their activities.

In general, the introduction of payments for land use and the development of a corresponding tax mechanism is becoming increasingly important in the context of market economy formation and economic digitalization. Addressing this issue will further enhance the role of agricultural producers in ensuring economic stability.

As a result, revenues generated from land tax create broader opportunities for implementing essential measures in each region, including land management, maintenance of land cadastre systems, land protection, improvement of soil fertility, development of new irrigated lands, as well as engineering and social infrastructure development.

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ISSN 2277-3630 (online), Published by International journal of Social Sciences & Interdisciplinary Research., under Volume: 15 Issue: 03 in March-2026
https://www.gejournal.net/index.php/IJSSIR