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Taking the world practice, we would like to conclude that public and private sector partnerships are the basis of a long-term targeted strategic movement in promoting the economy on an innovative basis, by utilizing the experience of developed and emerging economies, as well as attracting investments from domestic investors.

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## IMPROVING THE TAXATION OF SMALL BUSINESSES AND PRIVATE ENTERPRENEURSHIP ACTIVITIES

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In the strategy adopted on the prospects of medium-term development of Uzbekistan, the further development of the activities of small business and legal entrepreneurship is defined as an important task. The independency of the republic also obliged to achieve in the formation of its own independent tax system. Due to this, from the first years of independence, reforms aimed at the formation of an independent tax system began to be implemented consistently, and as a result of these reforms, a number of specific tax systems were formed in the Republic at the present time. The formalization of the tax system, which is specific, can be recognized as the effect of tax policy.

The result of the measures taken to develop the activities of small business and private entrepreneurship in our country is manifested by the following: In particular, the share of small businesses in GDP reached 59.4% in 2018, while in 2018 the share of small businesses and private entrepreneurship in the industry grew by 34.7%, agriculture, forestry and fisheries - 98.1%, construction - 66.6% 34.9 percent in

investment, 86.3 percent in trade, 26.5 percent in exports, 55.8 percent in imports and 55.2 percent in trade.

In our view, the increase in the share of small business and private entrepreneurship in the gross domestic product of the country is also recognized as an important factor in the fact that they are widely used as economic factors in the development of their activities, in particular as a stimulus factor of the tax system. In the same way, the impact of tax policy, which is applied primarily to them in the development of the activities of small businesses and private businesses, is incomparable.

Small business entities especially small business and private business have a number of advantages over other enterprises. Therefore, in order to ensure the rapid development of small businesses and private entrepreneurship, they provide a set of benefits and tax incentives. In our opinion, within the framework of the reforms carried out in the Republic, it is desirable to revise the taxation system of small business and private entrepreneurship, to expand the criteria for determining the subjects of small business by studying the advanced foreign experience in this field. Our research has shown that the identification of small business entities based on the number of available workers, improving the simplified procedure of taxation in relation to them is one of the important tasks on the agenda.

Table 1 below illustrates the criteria and some aspects of the practice of small businesses and private entrepreneurship in the taxation practice of the developed countries.

**Table 1**

## **Criteria for establishing the status of small business and private entrepreneurship in international taxation**

<b>Criteria</b>	<b>Disadvantages</b>
turnover	In large-scale operations, it is difficult to determine the volume of commodity turnover required by maintaining a simplified accounting record.
The size of the tax payable or tax liability	Losses in the financial and economic activities of some large enterprises can reduce the tax obligations paid by them to zero. On the contrary, some small capital or entrepreneurial activity can result in large profits to pay big taxes.
Number of workers	Some industries require a great deal of labor, but they may have a low level of profitability or, conversely, some small capitals and high-tech industries may have large profits with a small group of workers.
Private means	Even in all areas that require a large amount of capital, the level of profitability will not be high or, on the contrary, for some highly profitable areas, a small capital volume is sufficient.

As can be seen from the Table 1 data above, each criterion has its own drawbacks. From this point of view, in the process of determining the status of a



small business and a private enterprise in the Republic, it is desirable to use several of these criteria (a combined method).

Micro-firms and small enterprises have the right to choose a simplified taxation regime or payment of general taxes, envisaging the payment of "single tax payment" in accordance with the Tax Code of the Republic of Uzbekistan. However, despite the high effectiveness of the single tax payment, some taxpayers and private entrepreneurs have shortcomings and mistakes, and in some cases the "bypass" of this procedure is being observed in applying this taxation scheme.

In the course of our research, we have conducted an in-depth study and analysis of the causes of the above-mentioned problems, one of the main reasons is that single tax payment is an object of taxation, and we have cited it in Table 2 below:

**Table 2**

## Positive and Negative aspects of taxation in simplified regime

Positive aspects	Negative aspects
Reduction of time expenditure on the performance of the requirements of tax authorities	Lack of incentives to maintain accounting
Ability to foresee a tax obligation in part	Paid taxes do not take into account the damage
Limitation of the impact of tax administration	Negative impact on enterprise growth
Tax burden reduction	Risk of misuse of taxpayer interests
	Fairness Issues

As Table 2 shows, no matter how convenient the single tax system is, there are also specific negative aspects of this system. As the mechanism for calculating a single tax payment is simplified, the quality of accounting in the economic entity decreases. Because such a tax does not require an excellent accounting record from the economic entity. Apart from these, the recovery of the single tax from the gross income violates the print of the fairness of taxes, the reason is that in the process of calculating the single tax, the costs of the enterprise are not taken into account.

In addition to these, in order to ensure at least the minimum amount of tax to the budget from the small business and private entrepreneurship subjects, where the income index is declining, in some countries, including the Republic of Uzbekistan, the norms of payment of the base (minimum) amounts of the single tax payment are introduced. The reason is that according to the reviews of the tax authorities, single taxpayers have the opportunity to receive this base amount of income. In this regard, the base amount of the single tax payment can be described as follows:

$$\text{base amount of single tax payment} = \text{the tax paid from the income that the taxpayer can receive}$$

The introduction of these norms somewhat limits the practice of applying the rates of single taxation, which are differentiated in accordance with the types of

activities, that is, the application of the normative amount instead of the rates established in microfirms and small enterprises, where gross income is not high, leads to a sharp increase in the tax burden on these small businesses. This is especially evident in small businesses and private businesses operating in the field of trade, catering and services.

In the simplified taxation regime, the introduction of normative amounts leads to a rise in the tax burden for small businesses and private entrepreneurship, with the latter being aimed at legalization of the number of employees, the number of employees and the salary fund and the increase of the budget revenues. In our view, it is desirable to further improve the regulatory framework for simplified taxation of small business and private entrepreneurship and to optimize single tax rates.

Having become familiar with small business, now continuing to study the situation in the countries with which the economy in this area has developed, the criteria for determining the subjects of small business in the Russian Federation are determined according to the legislation of the country by the average number of workers: in the industry and construction-200, in the provision of science and scientific services-100, in other production sectors-50, in non-production sectors-25, and in retail trade-up to 15 people can be seen.

In other countries that are members of the European Union, small business entities are divided into microfirms, small and medium enterprises and as criteria the number of workers, annual commodity turnover and the value of fixed assets are used, starting from 2003 year are defined as follows: Microfirms are considered to be to have up to 10 workers with an annual turnover of up to - 2 million from the euro and the value of the basic assets no more than 2 million. The number of employees in small enterprises ranges from 10 to 50 people, annual turnover of 2 million to 10 mln. euro and fixed assets - \$ 2 million no more than euro. In medium-sized enterprises, the number of workers is from 50 to 250 people, the annual turnover is 10 to 50 million euro and the value of the basic instruments set to be 10 from 43 million euro.

**Table 3**

## Criteria for determining micro, medium and small scale enterprises in EU countries

Category	Number of employees	Turnover mln. euro	Basic tools mln. euro
Microfirms	<10	<2	<2
Small scale enterprises	<50	<10	<10
Medium-sized enterprises	<250	<50	<43

This means that in the EU countries, it is set the criteria to be: the number of workers in large enterprises is higher than 250 people, the annual turnover is 50 million euro and the value of fixed assets is 43 million euro.

Implementing the abovementioned international experience into the tax legislation of the country will lead to the improvement of taxation of small businesses and private entrepreneurship.

In the course of our research, we also want to focus on the taxation framework in the taxation system of small business and private entrepreneurship. In the Republic of Uzbekistan, the gross income is the object of taxation of the single tax payment. Of course, it is easy to calculate this indicator, to control it by the tax authorities (which is almost impossible to hide or reduce).

However, in our opinion, the disadvantage of the gross earnings index is that the economic activities of economic entities, regardless of their results in the Republic of Uzbekistan (ie they end the reporting period with profits or losses), may incur the enterprise, resulting in the single tax payment of the small business and private entrepreneurship irrespective of the damage.

In some cases, during a certain period of time, the costs of the entrepreneur can be increased from his receipts of that period. An entrepreneur can experience exactly the same situation in his early years of activity. Bunda entrepreneur is considered to have ended the tax year with a loss. It would be logical for an entrepreneur who ended the year with a loss to pay taxes. Because, the entrepreneur is still immature to recoup the funds and expenses he has spent on the completion of the profit himself. In this situation, the entrepreneur needs some time.

– For example, legal entities that implement a simplified system of taxation in the Russian Federation are "single tax" payers, and the number of objects of taxation for them is two, and they are:

- Income;
- Difference between revenues and expenses.

The right to pay taxes on the difference between income and expenses to small businesses and private entrepreneurs is granted to entrepreneurs who have started entrepreneurial activity after passing through the state registration, for the first one year of their activity. They were given the right to choose from the above two objects of their choice (except for participants in the contract of co-operation or the contract of trust management of property. They do not have the right to choose, and for them, as an object of taxation, only an indicator of the difference between income and expenses is accepted) so they can choose the one they want from both objects of taxation.

It should be noted that in the tax legislation of the most developed countries of the world, including the USA, Japan, Canada, Great Britain, Australia, Germany, private entrepreneurs pay income tax only from net profit. In the tax legislation of Russia, China, Georgia, Turkey, where the economy is developing rapidly, it is also stipulated that private entrepreneurs pay income tax from profits. In this case, entrepreneurs do not pay taxes until they receive a net profit, deducting expenses from the proceeds of their activities. In a word, the tax law is "patient" until a private entrepreneur receives a profit. The tax is levied as a certain percentage of the net profit. Bunda tax rate is levied at a rate that is equal to the profit received from

entrepreneurial activity at the rate at which other types of income of an individual are levied. That is, it is not necessary to introduce a separate tax rate on income from entrepreneurial activities.

In addition, there is no need for the concept that a system of obtaining tax from net profit is a tax deduction in the law. However, tax benefits in the tax law are often seen as a way to quickly overcome the shortcomings in the tax legislation. The fact is that the tax deduction is not a permanent, but a temporary way of treating “painful points” in the tax legislation. Tax incentives often distract both the state and the taxpayers from the main problem that must be solved in the tax legislation. Therefore, if the system of fair taxation of private entrepreneurs in the tax legislation is correctly established, then there will not be much need in the tax legislation for the concept of tax benefits.

Thus, the indicator of gross income, which is the object of taxation of a single tax payment, does not take into account the financial results of the enterprise's activities, which frightens small businesses and private entrepreneurs, because the probability of permanently completing the reporting period with damage to all misdemeanors is in danger.

Taking into account the peculiarities of the taxation practice of the Republic of Uzbekistan from the economic point of view of the subjects of small business and private entrepreneurship, we have witnessed the study of foreign experience in the operation of small business and private entrepreneurship subjects in the conditions of a simplified taxation system, their experience in the use of different indicators.

The practice of taxation of the Republic of Uzbekistan, taking into account the peculiarities of the subjects of small business and private entrepreneurship, is aimed at applying not only the "gross income" as an object of taxation of a single tax payment, but also the income or profit indicator that fully takes into account the ultimate results of the activities of the enterprise..

As a result of this, when this indicator is used in the conditions of the Republic of Uzbekistan, there may be a claim that the single tax payment is no different from the profit tax from legal entities, and this deduction will be reasonable, but if we take into account the fact that the state applies the single tax payment as a privilege.

When gross income or gross profit is used as an object of taxation of a single tax payment, the amount of a single tax payment that must be deducted to the state budget may be reduced. To fill this gap, it will be worthwhile to raise the tax rate of the single tax payment to the appropriate amount.

In our opinion, the above-mentioned improvement in the regulation of the activities of small businesses and private entrepreneurs through taxation increase the share of small businesses in the GDP, increase the number of small businesses and private entrepreneurs who have the right to work in a single tax payment system, also increase the number of single tax payers.