

**STIMULATING THE DEVELOPMENT OF SMALL
BUSINESS AND PRIVATE ENTREPRENEURSHIP
THROUGH A TAX MECHANISM IN THE REPUBLIC OF
UZBEKISTAN**

Kuzieva N.R.*

Abstract: The article examines such issues as the role and development of small business and private entrepreneurship in the Republic of Uzbekistan, analyzed the gradual decrease in the tax burden, the share of small businesses in Uzbekistan's GDP, small business in industry, key indicators characterizing the place of small enterprises and micro firms in the national economy of Uzbekistan, the procedure for applying a simplified taxation system for micro-firms and small enterprises, business environment. As well as proposals and practical recommendations for improving the tax mechanism for small businesses and entrepreneurship in the Republic of Uzbekistan

Keywords: tax mechanism, small business entities, a simplified taxation system, tax rates, a single tax payment, tax incentives and preferences, and a tax burden.

* Doctor of Economics, Head of the Department "Taxes and Taxation", Tax Academy at State Tax Committee of the Republic of Uzbekistan

Introduction. Uzbekistan, from the first days of independence, special attention is paid to the creation of favorable conditions for the conduct of entrepreneurial activities, the granting of privileges for doing business, limiting the interference of state, including supervisory and supervisory bodies, in the activities of entrepreneurial structures.

Deepening of market reforms and further liberalization of the economy of the Republic of Uzbekistan, aimed at democratization and renewal of the society, improvement of people's livelihoods put forward new tasks today, where a special place belongs to the sphere of small business and private entrepreneurship.

Small business is the guarantor of social stability in a society. A key role in the development of small business and entrepreneurship is taxed. Determining the amount of taxes levied, the state influences the amount of financial resources used by small businesses for reproduction, at the level of employment, and at the level of tax revenues to the budget.

According to the Strategies for further development of the Republic of Uzbekistan for 2017-2022 for the development and liberalization of the country's economy, it is required to reduce the tax burden and simplify the taxation system, improve tax administration and expand incentive measures for entrepreneurial activities, which creates more favorable conditions for small businesses.[1]

Today, small businesses solve many of the most important social problems: create new jobs, mobilize domestic investments, saturate the consumer market with goods and services, and develop socially important sectors of the economy that need financing.

In turn, the development of small and medium-sized production creates favorable conditions for the recovery of the economy: a competitive environment is developing; additional workplaces are created; structural adjustment is under way; the consumer sector is expanding. The development of small enterprises leads to saturation of the market with goods and services, increasing the export potential, better use of local raw materials.

Steady growth in the economy of the republic is largely due to the effectiveness of the current tax system in the state. Further improvement of the tax policy of the republic was noted as a "fundamentally important priority" for economic reform. In the context of modernization of the economy, the taxation mechanism has a great influence on the activities of business entities.

It is interesting that Uzbekistan has achieved significant results in the development of small business within a relatively short period of time, which is comparable to the level of developed countries. Analysis of positive changes

taking into account the practice of foreign countries has revealed the need to ensure the qualitative growth of small business indicators in the medium term.

Beginning with the first years of independence, the tax policy was aimed at developing production, increasing real incomes of the population and further strengthening the economy. The process of liberalization of the budgetary and tax sphere implemented in Uzbekistan is an important factor in the stable development of the economy, the economic activity of small businesses and private entrepreneurship, and the stimulation of new types of entrepreneurship. Structural changes in the economy, increased business activity and financial stability of economic entities of small business and private entrepreneurship were facilitated by the ongoing rational tax policy aimed, first of all, at reducing the tax burden.

Analysis. It should be noted that in the Republic of Uzbekistan a large-scale tax reform was implemented, which resulted in the creation of a modern tax system that meets the requirements of a market economy that replenishes the state budget and finances the necessary government spending, and also plays a catalytic role in increasing real incomes of the population, new branches of the economy, the growth of small business and private entrepreneurship. The most important result of the ongoing tax reform is a gradual reduction in the tax burden, which has become one of the important factors for maintaining high rates of economic growth. So, if in 1994 year the corporate income tax rate was 45%, then by 2014 year it fell to 8%. Since January 1, 2012, the single tax rate for manufacturers of industrial products, which was set at 13% a few years ago, has been reduced to 5%. In recent years, rates for all other taxes tend to decrease. For example, the minimum personal income tax rate has also been reduced from 13% in 2008 year to 7.5% in 2014 year.[2]

Despite the reduction in the tax burden for the years of the tax reform, it was possible to ensure a stable growth in the volume of revenues from tax and other mandatory payments. This contributes to an even greater openness of the tax system and its unification, as well as a significant reduction in the tax burden of enterprises. As a result of the measures taken to reform the tax system over the years of independence, there have been positive changes in the structure of the taxes paid. In particular: the share of taxes associated with the use of natural resources and, primarily, subsoil, has increased noticeably; the share of the tax on incomes of physical persons has increased in total amount of tax revenues. It should be noted that as a result of ongoing reforms, small business and private entrepreneurship shows dynamic growth, their share in the country's GDP increases. From 2000 to 2016 years the number of registered subjects of small business and private entrepreneurship has increased almost 5 times. In 2015, there are 18 subjects of small business and private entrepreneurship per 1000 people.

This indicator in Moldova is 12.3, in Russia - 11.3, in Ukraine - 7.5, in Belarus - 7.3 and in Azerbaijan - 1.6.

The activities of small businesses and private entrepreneurship is the main factor that ensures a stable economic growth of the country and in the last decades show a trend of stable growth. Thus, the share of small business and private entrepreneurship in the country's GDP grew from 31% in 2000 year to 56.9% in 2016 year. During this period, the share of employed in the sphere of small business and private entrepreneurship increased from 49.7 to 78.1%, the share in industrial production increased from 12.9% to 27%, while the share of small businesses and private entrepreneurship in the country's exports increased from 10.2% to 25% in 2016 year.

In recent years, the procedure for state registration of business entities and their connection to engineering and communication networks has been substantially simplified and more transparent. Thus, the rates of the state registration fee have been reduced by half, the list of activities by which the maximum average annual number of employees of small enterprises has been increased to one hundred people has been significantly expanded, and a mechanism for large-scale involvement of small business and private entrepreneurs in the public procurement process has been introduced.

As a result of 2016 year, the share of small businesses in GDP increased to 56.9% (56.5% in 2015), investments - up to 40.3% (36.3%), in construction - up to 70.7% (68.4%), in the retail commodity turnover - up to 89.6% (87.1%) [2].

The measures taken to create a business environment, to fully support and further stimulate the development of small business and private entrepreneurship contributed to the creation during the current year of about 32,000 new small business entities.

In Uzbekistan, small businesses are granted a wide range of privileges and preferences in the field of taxation and foreign economic activity, developing preferential lending, and a simplified reporting system. As a result, the ranks of enterprising and proactive owners are widening, the population's interest in this sphere is growing.

The priority direction of forming an entrepreneurial environment is the creation of small businesses and private entrepreneurship in rural areas, providing for the accelerated development of high-tech and labor-intensive services, the transition to intensive farming, the development of the social and production infrastructure of the village, the provision of rural environment requirements, as well as the necessary mobility of the population. All-round support is provided to small businesses and private entrepreneurs engaged in the production and

processing of agricultural products, the production of consumer goods, industrial and technical products, construction materials, construction, repair, construction, household and communal services. On the basis of economic measures of influence, state regulation of the formation and development of small business and private entrepreneurship is carried out. At the same time, rational concentration, specialization and placement of production in the sphere of small business and private entrepreneurship are ensured, and the structure of investments is changed by reorienting production to its needs.

Financial support for small business and private entrepreneurship is provided by attracting funds from the republican and local budgets, both through direct and indirect (preferential taxation) financing, public funds, credit investment by commercial banks, involving foreign and entrepreneurial capital in the investment process, as well as private charitable donations and other sources not prohibited by law.

State stimulation of entrepreneurial activity is carried out by:

- creation of conditions for attracting investments (including foreign ones) to the business sector, modern technologies and equipment, and for the development of market infrastructure institutions;

- taking measures to expand the participation of business entities in export-import transactions, international exhibitions and fairs, in the implementation of programs and projects in the field of foreign economic activity;

- providing business entities with legal, economic, statistical, industrial and technological, scientific and technical and other information necessary for their effective operation;

- establishment of privileges and preferences for taxes, other mandatory payments and tariffs.

The procedure for taxation, the exemption of small businesses and private entrepreneurs from paying taxes, deferrals and installments of their payment is established in accordance with tax legislation.

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On measures to further improve the interaction of state and economic management bodies, state authorities in the localities with legal entities and individuals using information and communication technologies" dated August 23, 2007, the tax service of Uzbekistan developed and introduced 22 types interactive public services (six of them were introduced this year). [3] This allowed along with saving time and material resources of small businesses and private entrepreneurship: increase the legal literacy of taxpayers; expand the scope of

information and advisory services provided to taxpayers; to eliminate direct communication between taxpayers and employees of tax authorities on many issues.

By the Decree of the President of the Republic of Uzbekistan "On Measures for Further Cardinal Improvement of the Business Environment and Greater Freedom of Entrepreneurship" of July 18, 2012, aimed at radically improving the business environment, creating the most favorable conditions for business, reducing, simplifying and enhancing the transparency of all types of procedures related to the activities of enterprises, the introduction of a generally accepted system of criteria for assessing the business environment in the world practice and, on this basis, further raising the international rating the level of the country's business and investment climate undoubtedly marked the beginning of a new stage in the development of this sphere.[4]

At present, the procedure for registering entrepreneurial activities on a "one-window" basis takes two days, which corresponds to the standards of developed countries. The principle of priority of the rights of the business entity was introduced, in accordance with which all irremovable contradictions and ambiguities of legislation arising in connection with the implementation of entrepreneurial activity are interpreted in favor of the business entity.

An important milestone in the development of the sphere was the adoption of the Decree of the President of the Republic of Uzbekistan "On measures to ensure the reliable protection of private property, small businesses and private entrepreneurship, removing barriers to their accelerated development" of May 15, 2015.[5] On its basis, the country creates even more favorable conditions for further increasing the share of private property in the economy, including with the participation of foreign capital.

Along with this, a program was approved to strengthen the protection of the rights of private owners. It provides for measures to increase the responsibility, even criminal, of officials for obstructing and unlawfully interfering in business activities, violation of the rights of private owners, strengthening of guarantees of protection of private property, further liberalization of administrative and criminal legislation regulating relations in the field of entrepreneurial activity. An important task has been set, such as further simplification of all types of registration, licensing and licensing procedures, as well as procedures related to the implementation of foreign economic activities. According to the program, necessary conditions are created for the accelerated development of private property and private entrepreneurship, expanding their access to material and credit resources, and improving the business environment.

Since July 1, 2015, the procedure has been established, according to which all inspections of the activities of microfirms, small enterprises and farms are carried out by the controlling bodies on a scheduled basis no more than once every four years, other economic entities - no more than once in three years, only by decision of the Republican Council for Coordination of the Activities of the Control Authorities of the Republic of Uzbekistan. At the same time, the term of scheduled inspections, not related to financial and economic activities, does not exceed ten calendar days.

It is established that planned inspections of financial and economic activities of business entities cover only the period following the last planned inspection. Checks by law enforcement agencies of the activities of economic entities in connection with prosecuted criminal cases are carried out with the mandatory participation of lawyers, attracted by business entities, except when the audited entities refuse such a right.

The Decree of the President of the Republic of Uzbekistan "On Additional Measures to Ensure Accelerated Development of Entrepreneurial Activity, Full Protection of Private Property and Qualitative Improvement of the Business Environment" of October 5, 2016 testifies to the transition to a qualitatively new level of state policy in this sphere and aims at strengthening the legal protection of private property, creation of favorable conditions and full support of small business and private entrepreneurship, as well as increased investment sibility of Uzbekistan.[6]

The decree establishes a number of fundamentally new mechanisms of state control aimed at providing reliable legal guarantees against unreasonable interference in the activities of business entities.

In particular, since January 1, 2017, such unprecedented measures as the cancellation of all types have been introduced:

- unplanned inspections of the activities of business entities, in addition to inspections in connection with the liquidation of a legal entity, as well as conducted only by the decision of the Republican Council for Coordination of the activities of controlling bodies of short-term inspections on the basis of appeals from individuals and legal entities about violations of legislation;

- counter checks of the activity of business entities, including criminal cases.

Thus, the controlling bodies are not now entitled to initiate unscheduled inspections. At the same time, in order to provide legal mechanisms for protecting the rights and interests of citizens, there remains a limited possibility of conducting a short-term audit only on the basis of appeals from individuals and legal entities

on violations of the law. Such a verification can be conducted solely by the decision of the Republican Council, and its duration is limited to one working day. In addition, a ban on the application of criminal punishments in relation to business entities in the form of deprivation of the right to engage in entrepreneurial activities.

These norms not only exclude double punishment of business entities, but also provide an opportunity for citizens who first committed offenses and who have made amends to continue their entrepreneurial activities without negative consequences, which is also intended to stimulate their business activity.

The development of legislative and regulatory framework indicates that the process of forming a legal framework for stimulating the development of small business in Uzbekistan is dynamic, aimed at the maximum reduction of subjective factors that prevent the formation of a class of real owners.

In recent years, the measures taken to improve taxation have significantly reduced the tax burden on small businesses, which entailed the development of production, expansion of investment activities, increased employment, and not only reduced the taxpayer's costs for tax and accounting, but also increased efficiency of tax administration.

In conclusion, it can be noted that the main areas of state support for small business are carried out by:

- creating conditions for attracting investments (including foreign ones) to the business sector, modern technologies and equipment, and for developing market infrastructure institutions;
- taking measures to expand the participation of business entities in export-import transactions, international exhibitions and fairs, in the implementation of programs and projects in the field of foreign economic activity;
- provision of business entities with legal, economic, statistical, industrial and technological, scientific and technical and other information necessary for their effective operation;
- establishment of privileges and preferences for taxes, other mandatory payments and tariffs.

The most important task of the state at present is the creation of an effective system of taxation of small business subjects that is adequate to economic conditions and creates incentives for the development of small businesses. The main directions of state support of small business are: the formation of a favorable business climate; elimination of regulatory, legal, administrative and

organizational barriers; expansion of access to financial resources; system development of infrastructure to provide enterprises with integrated financial, material, information, consulting and organizational and methodological assistance. The well-organized and consequential work in these areas will make it possible to carry out qualitative changes in the business environment and increase the efficiency of the functioning of small businesses.

Conclusion. To date, in order to further improve the investment climate and business environment, as well as improve the tax mechanism for small businesses and businesses, it would be advisable to derive the following proposals:

- Creating a simple and clear tax regime, accompanied by a reduction in the costs of accounting and reporting, and the tax burden, would solve a number of problems that are currently facing the society. Its main idea is to replace the aggregate of taxes established by the legislation by one. However, the task of adapting the tax system for small businesses is not to replace most of the existing taxes with one but to develop a taxation order that meets the requirements of optimization and minimization of taxation.

- Foreign practice of taxation shows that small business is a special subject of the state. In the world practice, the tax incentive for small businesses in the national interest is considered the norm. At the same time, the state's task is not limited to providing financial, technical and other resources to small firms on preferential terms and supporting private initiative at any cost. The state is called upon first of all to create a legal and economic climate that will allow small business not only to stay afloat, but also to grow and gain strength. The system of taxing small businesses in developed countries is moving towards maximum improvement, simplification, and avoidance of complex and time-consuming tax schemes.

- Despite the fact that the definitions of small enterprises vary from country to country, but practically all of them, in addition to the number of employed, also include other criteria - revenue, gross income, etc. In Uzbekistan, only the average number of employees is used as the base indicator. Therefore, in determining the subjects of small business, in our opinion, it would be advisable to use at least two criteria: the number of employees and the annual turnover (the volume of proceeds from the sale of products, works, services). It seems that the proposed refinement of the criteria for small business entities, a clearer and more comprehensive definition of their status will allow further to pursue a policy of taxation, concessional financing, application of other economic levers of influence on the dynamics and efficiency of their development more flexible in relation to certain types of their subjects.

The above facts naturally put forward the main task - to develop on the basis of the forecast of the further development of small and private entrepreneurship, concrete ways, the implementation of which will ensure the effectiveness of the functioning of small businesses for the future.

Reference.

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