



## Issues of taxation of entrepreneurs and self-employed persons

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### ABSTRACT

The article describes individual entrepreneurs and self-employed individuals. Procedural and practical recommendations were offered to increase the importance of taxation of individual incomes in the formation of budget revenues. In addition, a study was conducted on the current state of taxation of individual entrepreneurs and self-employed persons, studies of economists were studied within the scope of the topic, and conclusions and proposals were formed.

### Keywords:

Personal income tax, land tax, real estate, local budget, local budget revenues, local authorities, local taxes, tax, tax rate, tax reporting, tax revenues, tax benefits.

**Introduction:** As one of the main factors of the competitiveness of the national economy in the countries of the world, the importance of ensuring the financial stability of the state budget at various levels is increasing. "In many developed countries, the state budget is considered as a source of income, which includes taxes paid on the income of individuals and joint property. In particular, the share of personal income tax in budget revenues is 35.9% in the USA, 35.1% in Germany, 30.4% in the Russian Federation, 25.8% in Great Britain, and 6.9% in China. ... The share of personal real estate tax in the structure of local budget revenues was 40.1% in Canada, 40.0% in France, 30.0% in Great Britain, 19.6% in the USA, and 9.0% in the Russian Federation. It is important to improve the impact on economic development by regulating the stability,

collection and collection of income tax from individuals and real estate tax as part of budget revenues.

### Analysis of literature on the topic

Currently, the priority areas of tax policy are increasing budget revenues, expanding the base of local budget revenues by improving the administration of taxation, and unifying taxes. By N.Ya. Artikova "Organization of the aggregated annual income of an individual based on the researched opinions and considerations, the income of individuals from the sale of goods should be included in the income from their business activities, and at the same time, the income from property should be included in the income of the citizens themselves it is appropriate to include income from the sale of one's property and the use of one's own intellectual property."

D. Ricardo, one of the classical economists, expresses his opinion about taxes as "...taxes are less productive, have the same effect as bad weather, lack of activity or perseverance, wrong distribution of jobs...". From this, we can see that in D. Ricardo's teaching, "public services are included in "unproductive labor" as in A. Smith and are considered one of the main factors that prevent "productive labor".

"Representatives of economic thinking (J.M. Keynes, D. Locke, V. Retti, etc.) in their scientific works conclude that progressive taxation of individuals will achieve the highest level of social justice and reduce the difference between incomes. But at the same time, other scientists, including R. Musgrave, I. Gorsky, V. According to Ranskov et al., the introduction of a progressive scale cannot be the only meaningful action in solving the problem. The experience of countries that actively use the redistributive potential of income taxation to solve social and economic problems shows that the most preferable way is to use a progressive tax rate with a wide use of tax deductions.

According to Vlasova, "The profitable potential of local budgets requires more active implementation of public-private partnership, introduction of tax incentives and simplification of doing business as much as possible by speeding up and simplifying bureaucratic processes, reducing the share of non-production costs and increasing production costs. As a result, it leads to an increase in the efficiency of the budget policy in the region. A comprehensive decision to increase the revenue potential of local budgets will have a strong positive effect on the economy of the entire region in the long term."

According to Seleznev and Dotsenko (2016), "the system of local budget revenue generation is an important macroeconomic task in connection with the problem of real financing deficit of local budgets." As Serebryakova (2017) noted, "Financial provision of regions is

one of the most difficult and urgent issues of reforming the local self-government system."

Sukharev (2020) puts forward a system of introducing cost-effective activity results aimed at radically changing the sources of budget revenues at all levels, stimulating the budget mechanism.

According to the results of their research, G. V. Morozova and O. V. Derina "citing the specific features of taxation of the income of individuals, divide them into the following groups based on the legislation of the country":

- taxation of income from the main workplace;
- taxation of income from other economic entities;
- taxation of income from business activities;
- taxation of incomes of persons who do not permanently reside in the country.

The authors emphasize the importance of benefits in determining the tax base in the taxation of individual incomes, and emphasize that tax deductions are taken into account when determining the taxable base. Such tax deductions are recognized as standard, social, property, professional deductions. It states that such deductions apply only to income taxable at the basic rate.

The author also analyzed the issue of family taxation in the Russian Federation. In addition, the author emphasizes in his research that the costs of living and paying utility bills should not directly affect the real income of individuals.

According to Khaidarov (2020), it is necessary to encourage self-employed individuals to attract foreign investors in order to increase the sources of income of local budgets and create new jobs in the regions. For this, it is necessary to develop a list of industries and sectors in which foreign investors cannot engage in business and commercial activities, and to show that there is a green road to all other industries and industries.

**Research methodology.** In the process of analysis, statistical grouping of data,

comparative and trend analysis methods were used. In the article, the analysis of the current state of taxation of individual entrepreneurs and self-employed persons is compared and the scientific-theoretical views aimed at providing ways of improvement are analyzed.

### **Analysis and discussion of results.**

It is known from the world experience that along with the increase of the population's income over the years, the control of the price of consumer goods in the market is one of the main factors of their comfortable life. Every person living in society has the right to work and receive a certain income in return for this work. More than a thousand self-employed women drive through the services of online taxi aggregators. Self-employment was created in order to widely involve the population in business activities and create additional conditions for legal work. A self-employed person is a citizen who works for himself. They do not have the right to hire employees. In Uzbekistan, more than 2.6 million citizens are registered as self-employed. 284,000 of them were registered this year. Self-employed persons do not pay tax if their income does not exceed 100 million soums. They can voluntarily pay social tax once a year in order to have working experience and calculate pension. For this purpose, 21.7 billion soums of social tax was paid by 68,500 self-employed people this year. In order to develop the passenger transport system, improve the quality of services provided in this direction, and reduce unemployment, the activity of transporting passengers by light vehicles is included in the list of activities that self-employed persons can engage in. In general, as of March 1, there are 420,800 self-employed drivers. More than 161,500 of them provide transportation services through online aggregators integrated with tax authorities. It is noteworthy that the interest of women in this field is increasing. In this,

1,053 female drivers are engaged in passenger transportation through these online services. Among the drivers using online taxi aggregators are 59,274 individuals under the age of 30, 90,420 between the ages of 30 and 50, and 11,970 individuals over the age of 50.

According to the information available in the database of the Tax Committee, self-employed drivers used online aggregators for up to 1 million soums in the first 2 months of this year — 104,241 people, from 1 million to 2 million soums up to 24,350 people, from 2 million to 5 million soums - 23,817 people, from 5 million to 10 million soums - 7,887 people, from 10 million to 15 million soums - 1,180 people, 189 social entities earned more than 15 million soums. This, in turn, is considered an important factor in the implementation of their activities as small business entities, and the legalization of their activities serves self-employed persons not only to obtain legal income, but also to their socio-economic and legal interests.

In small and medium-sized business entities, the system of calculating property and land taxes based on the cadastral value close to the market value of real estate objects has been established (PF-6121). In order to bring the cadastral value closer to the market value and to introduce real estate tax by combining property and land taxes of legal entities in the future, the minimum amount was put into practice.

In the Mirzo Ulugbek district of Tashkent city, the market value of commercial real estate objects for 1 sq.m. was more than 6 million soums during the implementation of the mechanism of calculating the property based on the market value. The specified minimum value indicates that real estate objects are less than 2 times the market value. Most small businesses have "low" or "zero" real estate residual values as a result of not revaluing their assets for years. Therefore, when the tax is calculated on the basis of the minimum value, the tax burden for these objects increases. The numbers show that

41,000 objects have not been reassessed, so their value is lower than the market value. We cite the following examples as confirmation of our opinion:

- In the city of Tashkent, the residual value of the 40 m<sup>2</sup> non-residential object belonging to the enterprise "A" is shown as 2 million soums, and 41 thousand soums of tax were paid in one year, while the enterprise "B" located in the same district has 31 m<sup>2</sup> non-residential property. The residual value of the object was estimated at 168 million soums close to the market price and paid taxes of 3.4 million soums per year. As a result of the introduced changes, company "A" has a higher difference due to understating the residual value of its property, and company "B" has a higher difference compared to the previous year due to the reduction of the rate and the correct calculation of the residual value (0,8 million soums) pays less tax.

- In Vobkent district, the residual value of the 1750 m<sup>2</sup> non-residential object belonging to the enterprise "A" is shown as 25 million soums, and 518 thousand soums of tax were paid in 1 year, while the enterprise "B" located in the same district has 1474 m<sup>2</sup> non-residential property. The residual value of the object was estimated at 1.6 billion soums close to the market value and paid taxes of 63.4 million soums per year. Since 2022, the property tax of "A" enterprise is expected to be 26.2 million soums at a rate of 1.5% at a rate of 1.7 billion soums due to the introduction of the minimum value in relation to the property area. If the residual value is actually less than the specified minimum amount, they can reassess their real estate, the results of the assessment are recognized as the tax base. 39.6 million soums will remain at the disposal of the enterprise "B" due to the reduction of the rate and the correct accounting of the residual value. 21,500 taxpayers who have reassessed their properties to bring them closer to the market prices have

their tax amount reduced due to the rate reduction (from 2% to 1.5%).

Some taxpayers were given temporary tax breaks. From January 1, 2024 to January 1, 2026, interest income of commercial banks participating in the "Comprehensive Program of Continuous Support for Small Businesses" on bank loans allocated for projects is deductible for the purpose of calculating profit tax recognized as expenses.

From January 1, 2024 to January 1, 2027, the amount calculated on property and land taxes of legal entities for the objects of "Research and development" centers and the land plots occupied by them

1%, as well as social tax at the tax rate of 1%. From January 1, 2024 to December 31, 2025, in relation to legal entities that mine precious, non-ferrous and (or) radioactive metals, rare elements and rare earth elements and (or) extract them from man-made mineral derivatives, as well as extract hydrocarbon raw materials special rent tax is not levied. This rule applies to the subsoil section, the mining of which began in the period from January 1, 2024 to December 31, 2025, and the entire period of implementation of activities on the extraction (extraction) of metals or hydrocarbon raw materials. is applied to Until January 1, 2028, sales of goods (services) purchased within the framework of projects attracted from international financial institutions and foreign government financial organizations and implemented at the expense of the state's external debt will be exempted from turnover VAT.

The provision of banking services to the family business is carried out on the basis of contracts concluded with the bank in accordance with the legislation. Banks open accounts of family enterprises in national and foreign currencies and provide services to them in accordance with the established procedure. Lending of family enterprises is carried out on the basis of a loan

agreement concluded with a bank or other credit organization. Banks, other credit or insurance organizations can act as guarantors when providing loans to a family business. Solvency legal entities and individuals, as well as self-government bodies of citizens can be guarantors in accordance with the procedure established by law.

Today, despite the fact that measures are being taken to further liberalize and support the activities of small and medium-sized business entities, shortcomings and problems are also evident. In particular, entrepreneurs operating in the private sector face the following problems and shortcomings in the course of their work:

- many problems regarding the legal literacy of entrepreneurs;
- limited availability of cash;
- problems in implementing export-import operations of small business entities;
- deficiencies in voluntary and self-liquidation of business entities.

Although the registration of business entities is much easier nowadays, there are still some drawbacks. To eliminate them, it is necessary to do the following:

- introduction of registration notification procedure to all types of enterprises;
- to reduce the duration of registration procedures to 1 working day for the full implementation of the registration notification system;
- to stop the practice of involving employees of registration bodies to perform functions that are not typical for them;
- to create a software-hardware complex that includes a single database of all operating enterprises.

These are: — independent acquisition of a company name by a business entity by accessing a single database via the Internet; — allows to provide statistical codes and taxpayer identification number in a single registration body. These measures will help simplify and lower the cost of registration procedures for

business entities. Clarifying the criteria for selecting audited business entities in order to solve the shortcomings and problems in the audit of business entities, that is, the main purpose of the audit should be the level of risk, not the turnover of the audited entity. For example, in organizations operating in industry, the level of inspection by YoHBB should be higher than the level of inspection of enterprises engaged in retail trade. In order to solve problems related to the legal literacy of entrepreneurs, to improve the legal literacy of owners of small businesses, including family businesses, and their employees:

- providing information about the newly adopted law and other regulatory documents and further improving their discussion;
- creation of an Internet network that allows online communication between business entities and management bodies through a virtual network.

This network should contain all information related to small business and entrepreneurship (registration, tax, bank relations, etc.). At the same time, through this network, entrepreneurs can not only answer questions with management bodies, but also exchange experience with each other; — To improve the interaction of the Ministry of Justice of the Republic of Uzbekistan, the Prosecutor General's Office, the State Tax Committee, the Chamber of Commerce and Industry and the Council of Farmers, non-governmental organizations and other public organizations with small business and private business entities and owners of local family businesses to further improve the provision of legal consulting services to them through improvement; — determination of tax credits for expenses spent on training of employees in small enterprises, micro-firms and family enterprises, etc.

As a result of the increase in the economic activity of business entities, the introduction of

new instruments in the tax administration and the fight against the secret economy, there will be a significant increase in the types of taxes in 2021, compared to 2020, profit, value added tax, tax revenues increased by 1.3 times, mineral tax and water tax revenues by 1.4 times, land tax by 1.7 times. As a result of measures aimed at legalizing hidden jobs, the number of individuals paying income tax increased by 502 thousand, and the number of people registered through the self-employment system increased by 1.2 million. formed ten. In order to develop women's entrepreneurship, 100 billion 341 million soums of credit resources were allocated by the state trust fund to 6.5 thousand women. In addition, 1 trillion 197 billion soums of credit were allocated to 96,873 women in 2021 in order to support the business projects of needy women included in the "Women's Book". In order to develop women's entrepreneurship, 6.5 thousand women were allocated credit resources in the amount of 100 billion 341 million soums by the State Target Fund.

By the end of 2022, 90,000 legal and 96,000 individual business entities were registered with the state. Commercial banks allocated 41.9 trillion soums of loans to more than 54,900 entrepreneurs in the service sector in the regions. Measures were taken to create conditions for the organization of business activities and the formation of permanent sources of income, to increase the share of the private sector in the gross domestic product to 80% and its share in exports to 60%.

2 trillion 894 billion soums of loans were allocated to 121 thousand 731 young people by ensuring the employment of young people through the development of entrepreneurship activities in order to implement the tasks defined in the "open dialogue" of last year 2022. More than 103,000 women who want to start business were registered as entrepreneurs, and 200,951 new jobs were created by them. In

addition, more than 233,000 women were granted preferential loans in the amount of 4.7 trillion soums as part of family business programs. In general, complex measures are being taken in our country to develop entrepreneurship, especially small and medium-sized businesses, and to eliminate problems and obstacles arising in their activities. As a result, over 55,000 business buildings were built in the past year, the number of entrepreneurs whose turnover exceeded 1 million dollars increased by 5,000 to 26,000, the number of exporting enterprises reached 7,500, and the total export volume increased by 30 percent.

"On June 12, 2023, the decree of the President of the Republic of Uzbekistan "On measures aimed at establishing mutually beneficial cooperation with business entities in reducing poverty" was announced. Based on this legal document, the program "20 thousand entrepreneurs - 500 thousand qualified specialists" is implemented in our country. In 2023-2024, a total of 1 billion US dollars will be allocated for the implementation of the program. A credit line equivalent to 100 million US dollars will be opened from the Recovery and Development Fund to commercial banks in 2023 to finance the projects of business entities included in the program.

1 trillion soums will be allocated from the funds provided for the financing of projects within the framework of family business development programs. Loans in the amount of 200 million US dollars will be attracted from international financial organizations. Credit line funds are provided to commercial banks for a period of 10 years, including a 3-year grace period at a rate of 10 percent.

It should be noted that a number of benefits and preferences are applied in this process. In particular, when citizens entered into the "Unified Register of Social Security" are hired by entrepreneurs, until January 1, 2025,

entrepreneurs must pay these citizens a monthly salary of at least 1 times the minimum wage for at least one year. , providing employment and when they make up at least 20 percent of the total number of employees, property and land taxes are exempted. Also, when citizens are hired and the amount of salary for each month is not less than 1 times the minimum wage, income tax from individuals paid on the basis of monthly salary is deducted from the republic budget. is returned to the employer (up to 2 times the BHM for each employee) and the social tax rate is applied to them with a 50% reduction. Entrepreneurs are given the right to pay certain types of taxes and customs fees in installments of up to one year without security and without interest. In addition, when entrepreneurs purchase state-owned real estate objects and land rights through an auction, they will be able to pay in installments of up to 5 years.

At this point, it is necessary to pay special attention to the priorities set for the simplification of tax and customs administration. It was determined that compensation (refund) of the amount of value added tax, as well as the refund of the existing overpayment amount for all types of taxes, will be carried out in an accelerated manner within one day. At the same time, the amount of value added tax paid on the import of goods and on the sale of goods or services will be allowed to be mutually accounted for in the accounting systems of customs and tax authorities. The most important thing is that the rules of "green corridor" apply during customs control. These measures will serve to improve the road transport, electricity, communication and tourism infrastructure of the regions, as well as the development of small and medium-sized cities, the industrialization of neighborhoods, the expansion and development of business activities, and the employment of the population and a source of permanent income. is also an

important factor. The integrity of this chain ensures economic growth. Economic growth, in turn, brings prosperity.

#### **Based on the above, we offer the following:**

In addition to the implementation of positive reforms in the taxation of individual entrepreneurs, we can observe the following situations that should be paid attention to in this area:

According to the rules set out in the section of comments on the tax rates contained in Appendix 13 of the Law of the Republic of Uzbekistan No. ORQ-589 of December 9, 2019, if the fixed tax rates of the place where an individual entrepreneur carries out his activities are different from the fixed rates of the place of state registration tax is paid at the highest rate. For example, if an individual entrepreneur is registered in the state of Kashkadarya region and operates in Tashkent city, the tax rate applied in Tashkent city is applied, on the contrary, if an individual entrepreneur who is state registered in Tashkent city carries out business activities in Kashkadarya region, the tax rate applied in Tashkent city is applied. In our opinion, in this case, it is fair to apply the tax rate of Tashkent city to an individual entrepreneur operating from the regions to Tashkent city, but in the opposite case, applying the tax rate applied to Tashkent city to an individual entrepreneur who goes to the regions from Tashkent city to carry out business activities does not correspond to the principle of fairness.

In this situation, in order to create favorable conditions for the further development of individual entrepreneurship, it is appropriate to make appropriate changes to the tax legislation aimed at applying the procedure for paying the tax determined by the individual entrepreneur at the rates determined by the place where the activity is carried out.

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