



The evolution of the emergence of tax incentives and its economic essence

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ABSTRACT

One of the important tasks of economic entities operating in our republic is to develop this sector through tax incentives, introduce new approaches to them, increase the volume of market services, and expand opportunities for the population to create new jobs. In addition, the benefits used by enterprises in order to develop certain sectors of the economy, prevent an increase in prices for socially significant products and services, as well as provide social support to local producers and all segments of the population are covered.

Keywords:

budget policy, crisis, budget, tax incentives, tax administration, business entities, tax reporting, tax revenues, tax incentives, tax, tax rate, preferences

Introduction.

One of the most important elements of economic policy in ensuring the stability of our country's economy is the implementation of measures to further liberalize tax policy, simplify the taxation procedure, reduce the tax burden, protect the rights and freedoms of economic entities, and limit interference in their activities.

In the world, tax privileges are considered an advantage that affects employment, an increase in the number of capital transfers, the development of scientific research and technologies, as well as the improvement of underdeveloped regions. Today, the issues related to defining the concept of tax privileges and assessing the effectiveness of privileges, the tax direction of fiscal policy and the regulatory function of taxes as a lever for reducing the social burden of the state, and conducting scientific research on the analysis, systematization, evaluation and optimization of tax privileges are among the priority areas.

2. Literature review.

The main economic category studied within the framework of the topic is the concept of tax privileges, and we will dwell in detail on the definitions given for tax privileges.

Nezamaykin and Yurzinova (2004) say that a tax privilege is the granting of certain categories of taxpayers, in comparison with other taxpayers, of advantages provided for by tax legislation, including the possibility of not paying taxes or fees or paying them in a smaller amount.

Maiburov (2011) defines tax incentives as incentives that allow for the postponement of tax payments in accordance with the procedure established by law, and they are divided into several forms: tax credit, investment tax incentive, tax holiday.

Milyakova (2008) - tax privilege - the provision of advantages to certain categories of taxpayers in comparison with other taxpayers, including the possibility of not paying taxes or fees or paying them in a reduced amount.

Rakhmatullaeva (2016) defined tax privileges as a category as follows: "privileges are a set of ways, rights and obligations to completely or partially reduce the taxpayer's tax obligations in

accordance with the procedure established by law in order to regulate the economy and solve social problems by the state.

Zavalishina (2005) Tax privilege is understood as the granting of advantages provided for in tax legislation to certain categories of taxpayers in comparison with other taxpayers, including the possibility of not paying taxes (duties) or paying them in a reduced amount.

Juraev et al. (2009) Tax privileges are various tax reliefs for taxpayers, which can be granted temporarily and permanently, in full or in part, and in other forms.

Baladina (2011) gave the following definition in this regard: tax preference is a mandatory priority granted by the state to certain taxpayers to reduce their tax liability.

Thus, there are a number of problems that require scientific research in the field of providing tax privileges, their systematization, and the complexity of the competitive environment as a result of their introduction.

3. Research methodology.

In this article, comparative analysis and induction and deduction evaluation methods were used. Using the comparative method, data on tax benefits and their analysis were carried out and scientific conclusions were given.

4. Analysis and discussion of results.

In order to create an equal competitive environment for all business entities within the framework of tax reforms, the tax authorities have carried out a number of works on canceling tax benefits, keeping their accounts and regulating the process of their use.

The importance of free economic zones is evident in the economic stability of developed countries. In this regard, in our country, using the world experience, it is being implemented step by step, strengthening the legal foundation, with the aim of achieving clear results and achievements.

The state regulates the economy by introducing taxes and, at the same time, provides tax incentives that correctly reflect the complex economic situation in the country, as well as social and political characteristics, allowing it to ensure the economic independence of

entrepreneurs, expand national production, and increase the financial stability of enterprises.

Although taxation has a long history, it played a relatively small role in the ancient world. In Greece and Rome, consumption taxes were levied. Tariffs - taxes on imported goods - were often more important in generating revenue than domestic taxes. Property taxes were temporarily established during wartime as a means of raising additional funds. For a long time, these taxes were limited to real estate, but later they were applied to other assets. Later, transactions related to real estate were also taxed. In Greece, free citizens had different tax obligations than slaves, and the tax laws of the Roman Empire distinguished between citizens and the population of conquered territories.

In the state of Amir Temur, who founded the great statehood, taxes were also of great importance and were regulated by specific laws. In the decrees of Amir Temur, "Taxes are the economic support and manifestation of the state"¹ It was emphasized.

If we look at the principles of taxation given in the Temur edicts, they are based on the privileges granted in taxation. Accordingly, the mixed collection of taxes from taxpayers is at the center of attention of tax policy.

As stated in the "Temur edicts", "Whoever cultivates a desert or cultivates a melon, or plants a garden, or cultivates a wasteland, in the first year they should not take anything from it, in the second year they should take what the subject gives with their consent, and in the third year they should collect a tax in accordance with the tax laws and regulations."² This shows that tax benefits are directly related to the economic power of the state (treasury), which reflects the interdependence between tax benefits and the formation of budget (treasury) revenues.

Nowadays, tax incentives are an important component of the economic policy being implemented. They can be used to smooth out market crises and stimulate investments that create positive market externalities. Tax incentives can be used to regulate the level of investment and innovative activity of organizations, as well as to stimulate the

¹ "Темур тузуклари". Тошкент. 1993 йил. 98-бет.

² Темур тузуклари". Тошкент. 1993 йил. 98-бет.

increase in employment of the population. The state should take into account its role in improving the investment climate in order to stimulate new domestic and foreign investments, innovations and regulate the amount of tax expenditures. Therefore, special attention should be paid to tax incentive instruments, as well as to assessing their effectiveness.

Effective tax administration also plays an important role in the formation of tax instruments to stimulate growth in economic sectors, thereby ensuring the stability of the tax system. Improving the system administration and control over the collection of taxes and other mandatory payments increases the country's budget system revenues.

The initial theoretical concepts of taxation date back to the teachings of the classical school, whose representatives gave fundamental ideas about taxes and their role in state regulation.

At the classical school stage, V. Petty's ideas about the direct dependence of the size of the tax burden on the functions of the state, as well as D. Ricardo's ideas about the concept of capitalist profit as the main source of taxation, contributed to this³. However, within the framework of the incentive and regulatory functions of taxes, the relationship between the process of reproduction and the tax system was first considered in his works by F. Caene. Later, the representative of the classical school A. Smith formulated the principles of taxation, according to which the elements of taxation should be clearly defined, taxation should be fair and convenient to pay⁴ emphasized. In the interpretation of representatives of classical tax theory, the need for taxation is explained primarily by ensuring the development of the state and the nation, since taxes are the main income of the state and should not perform the function of regulating the economy.

³ Ricardo D. *On the Principles of Political Economy and Taxation*. 3 ed., London: John Murray. 1821.

⁴ Smith R.P. *Defence Expenditure and Economic Growth* // Vol. Gleditsch, Nils Petter, Goran Lindgren, Naima Mouhleb, Sjoerd Smit and Indra de Soysa. California: Regina Books. 2000.

After the classical school, the development of tax theory was carried out in various directions. In particular, in Marxist economic theory, it was believed that the tax system inevitably leads to the impoverishment of small landowners⁵. Representatives of neoclassical theory, as well as the founders of the classical theory of taxes, were in favor of limiting state regulation of the economy. A. Pigou emphasized the redistribution of state budget revenues between sectors and regions, as well as indirect regulation through taxes and subsidies⁶.

A new approach to the role of taxes in regulating the economy was first put forward by J.M. Keynes, the founder of Keynesian economic theory, who emphasized that by changing the state tax system, it is possible to influence the volume of production and effective demand. Thus, with a decrease in taxes, net profits of organizations, investment increase, and unemployment decrease. J.M. Keynes noted the possibility of stimulating the effect of economic development by providing targeted benefits under the control of tax authorities. Historically, the role of the tax system in stimulating economic growth has increased⁷. Undoubtedly, the disadvantage of this approach is that excessive support from the state through tax breaks can lead to crises and reduce competition. Recognition of the failure of Keynesianism led to the development of such areas as supply-side economics. Representatives of the supply-side economic theory were G. Stein, R. Mandel, who emphasized that taxes can be one of the factors influencing economic development. Reducing the tax burden, according to scientists, leads to increased economic growth. It should be noted that the main provisions of this theory include reducing state intervention in the economy, reducing the tax burden, and reducing the amount of money in circulation. A prominent representative of this economic school was A.

⁵ Пинская М.П. Воздействие характера налоговых отношений в государстве на становление налоговых теорий // Горный информационно-аналитический бюллетень. 2009. №5. С. 97-107.

⁶ Pigou A.C. *The Economics of Welfare* // 4 ed., London: Macmillan and Co.1932.

⁷ Keynes J.M. *The General Theory of Employment, Interest and Money* // London: Macmillan. 1936. 190 p.

Laffer, who, using the tax curve, determined the relationship between the tax burden and the rate of social reproduction.

Thus, the theoretical concepts of taxation have come a long way, as a result of which they have become an independent branch of economic thought. To date, in the works of domestic and foreign scientists, a clear idea of the number of functions of taxes has not been formed. As a result of the systematization of scientific concepts, the main approaches to determining the incentive function of taxes are formed. The first approach is historical, its essence is to absolutize the fiscal function of taxes as fundamental, since the budgets of the budget system are formed precisely with the help of this function.

The regulatory function is considered as an addition to the fiscal function and is aimed at the sustainable growth of the state and increasing entrepreneurial activity. Representatives of this approach are Richard M. Bird, Eric M. Zolt⁸, Nikolai Kaldor⁹. Proponents of the "historical" approach deny that taxes have social, control, and other functions, despite the fact that the goals of tax collection are redistributive functions, as well as the creation of greater equality through so-called "state-building" functions. Taxes are necessary to increase state revenues and perform state functions, but taxes also have other functions, which are more controversial, but are also widely used by modern states. An example is the redistributive function, which is aimed at reducing the uneven distribution of income and wealth that occurs as a result of the normal functioning of a market economy. This function of taxes has always been debated, and various theories of distributive justice are used to support or deny its legitimacy. Taxes also have a regulatory aspect: taxes can be used to direct private sector activity in the directions desired by governments. This function is also controversial, since it reflects disputes over tax

expenditures¹⁰. Nevertheless, tax regulation is widely used, as evidenced by the spread of tax budget expenditures around the world¹¹.

Representatives of the second approach to the definition and essence of tax functions include such scientists as A.V. Bryzgalin, E.G. Efimova, E.B. Pospelova, L.G. Khodov, E.I. Evstegneev, O.I. Mamrukov. Representatives of this approach consider the incentive function as part of regulation or its subordinate function. At the same time, the importance of the regulatory function is noted along with fiscal, control, social, and others. Representatives of this approach emphasize that the regulatory function is aimed, first of all, at achieving economic goals by influencing the dynamics of population employment, price growth rates, economic growth, using this tax instrument. On the one hand, with the help of taxes, it is possible to restrict entrepreneurial activity and, as a result, limit the development of certain sectors of the economy, and on the other hand, tax instruments can be used to stimulate. The regulatory function is carried out through the use of tax incentives or, conversely, is aimed at introducing tax restrictions. Thus, representatives of this approach consider incentives and disincentives as a single process. Undoubtedly, the disadvantage of this approach is that it is difficult to evaluate the implemented tax policy due to the different goals of tax incentives and incentives.

Within the framework of the third approach, the incentive function of taxes is considered independent. Representatives of this approach, such as I.A. Mitrofanova, M.P. Sokul, V.G. Panskov, L.N. Lykov, emphasize that tax incentives have an active positive impact on various economic processes, such as production, the structure and level of consumer demand, and focus on the following.

Tax credits are becoming more common, for example, in the US, their number more than tripled from 1990 to 2017¹². Studying the

⁸ Bird Richard M. and Zolt Eric M. (2014) Redistribution via Taxation: The Limited Role of the Personal Income Tax in Developing Countries // *Annals of Economics and Finance*. 2014. Vol. 2(4). p. 625-683.

⁹ Kaldor Nicholas An expenditure tax // London: Allen & Unwin, 1955. 249 p.

¹⁰ Boris I. Bittker (1969) Accounting for Federal «Tax Subsidies» in the National Budget // *22 Nat'l Tax J.* 244, 1969. 260 p.

¹¹ Rubin, I. S., & Rubin, H. J. Economic development incentives. *Urban Affairs Quarterly*, 1987. № 23. p. 37-62.

¹² Bartik, Timothy J. (2017) A New Panel Database on Business Incentives for Economic Development Offered by

economic consequences of incentives is important both because of their popularity in different countries and because the issues of their effectiveness have not yet been fully studied. T. Bartik¹³, В.Ёнгоңг.¹⁴ Л.Папке¹⁵, Страусс-Кахн ва Вивес¹⁶ in the research of foreign scientists. note the positive effect of tax incentives.

The assessment of the impact of tax instruments on economic growth has been considered by domestic and foreign researchers for more than a decade. In the mid-1980s, economists also reported that there was no relationship between taxes and economic growth. Since the mid-1970s, economic turmoil in the United States has increased interest in tax incentives. In studies, scholars have begun to distinguish between taxes and expenditures and to distinguish between various taxes and incentives¹⁷. As a result of developing new economic models, he concluded that there is a negative relationship between taxes and economic growth¹⁸. At the same time, scholars began to consider the impact of non-tax factors on economic growth, such as public services and infrastructure, and found a closer correlation than tax factors.

Over the past few decades, the conclusions about the impact of taxes on economic growth have changed dramatically, and the assertion that it is possible to influence the economy through tax instruments is not controversial. Studies on assessing the impact of taxes on economic growth are aimed at comparing interregional or interstate and tax or non-tax factors. Methodological foundations of tax incentives Т.Ј. Bartik¹⁹ П.С.Фишер²⁰, Л.Е.Папке²¹ considered in the works of scientists such as When considering tax factors,

State and Local Governments in the United States //W.E. Upjohn Institute for Employment Research Report. 2017. 131 p.

¹⁴ Wu, Yonghong. State R & D tax credits and high-technology. *Econ. Dev.* 2002. Q. 22 (2), p. 136–148.

¹⁵ Papke, Leslie E. Interstate business tax differentials and new firm location // *J. Public Econ.* 1991. 45 (1), p. 47–68.

¹⁶ Strauss-Kahn, Vanessa, Vives, Xavier. Why and where do headquarters move? *Reg. Sci. Urban Econ.* 2009. № 39 (2). p. 168–186.

¹⁷ Helms, L. J. The effect of state and local taxes on growth // *Review of Economics and Statistics.* 1985. № 67, p. 574-582.

studies use the concept of "tax elasticity", which shows how a 1% change in taxes affects public and private economic activity²².

Thus, the consideration of tax incentives for economic growth has become a pressing issue in the last few decades, which requires considering the process of tax incentives as an independent process. Based on the above, it can be noted that tax incentives are one of the catalysts for the economic growth of industries and the economy as a whole. As a result, the importance of the incentive function of taxes in domestic research is less than it actually is. An analysis of methodological concepts allows us to conclude that most scientists view the incentive function not as an independent one, but as part of regulation. In our opinion, in modern conditions, the incentive function of taxes plays a decisive role in the development of the economy. Being a powerful tool of state influence on industries, forming effective demand from the population, capital accumulation, tax incentives have a positive effect on economic growth.

Based on the opinions of the above-mentioned scholars, in our opinion, the specific features of tax incentives can be described as follows:

- limited scope. Each of the tax incentives is strictly tied to the corresponding tax, and its application is limited only by the tax or fee collected;
- incentive. Tax incentives, unlike other means, are intended to encourage or support taxpayers by reducing their tax obligations or creating more favorable tax treatment conditions than other taxpayers;
- by special territories. Unlike special territorial tax regimes, there are no specific territorial restrictions on the use of incentives. They

¹⁸ Eisinger, P. The rise of the entrepreneurial state. Milwaukee: University of Wisconsin Press. 1988. 336 p.

¹⁹ Bartik, T. J. (1991). Who benefits from state & local economic development policies? // Kalamazoo, MI:W. E. Upjohn Institute for Employment Research. 1991. 360 p.

²⁰ Fisher, P. S., & Peters, A. H. Tax and spending incentives and enterprise zones// *New England Economic Review.* 1997. p. 109-130.

²¹ Papke, Leslie E. Interstate business tax differentials and new firm location // *J. Public Econ.* 1991. 45 (1), p. 47–68.

²² Amacher, R.C. and Ulbrich, H.H., (1995) *Macroeconomic Principles and Policies*, 6th Ed., Cincinnati: South- Western College Publishing. 450 p.

operate in the territories where the relevant taxes are collected (on the entire territory of the state - for state taxes and fees or for administrative-territorial units - for local taxes and fees);

- mobility. Tax incentives allow for very rapid changes in tax incentives in order to effectively implement the regulatory function of taxes. They can be considered as a regulatory tax mechanism of a tactical nature.

In our opinion: "Tax privileges are advantages provided for by tax legislation for certain categories of taxpayers in relation to other taxpayers, including the opportunity to not pay taxes or pay them in a smaller amount," and "it is expedient that tax privileges be recorded by tax authorities using information systems and assigning a special identification code to each type of tax privilege."

The amounts of privileges that have become vacant in connection with the privileges granted on taxes and fees and that have not been used during the validity period of these privileges can be used for a specific purpose within one year after the expiration of the validity period of the privileges. In this case, funds not used within the specified period are transferred to the budget of the Republic of Uzbekistan.

Conclusions and proposals.

It would be advisable to develop and implement the "E-imtiyoz" information and analytical system for accounting and administration of tax benefits, including tax benefits granted under the sign of confidentiality, and to reflect its use in electronic invoices, reports and other electronic products and services.

Amendments to Article 83 of the Tax Code of the Republic of Uzbekistan on Tax Reporting.

(part one) A taxpayer who has identified incorrect or incomplete information and (or) errors in a previously submitted tax report that led to a decrease (change) in the amount of tax calculated by him is obliged to make the necessary corrections to this tax report and submit a revised tax report to the tax authority. After using tax benefits, the tax authorities will accept the revised tax returns, which will lead to a reduction in the amount of tax calculated on income tax and social tax collected from individuals, after examining their validity.

Amendments to Article 414 of the Tax Code of the Republic of Uzbekistan, namely, the list of items 4, approved by the resolution of the President of the Republic of Uzbekistan, within the scope of the part occupied by high-tech production equipment of taxpayers who have introduced high-tech production, are granted for a period of three years from the date of acceptance of this equipment for operation.

Адабиётлар/Литература/Референсе:

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