



Ways to improve taxation of business entities in Uzbekistan

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ABSTRACT

This article discusses the theoretical and practical issues of improving the taxation system of business entities in Uzbekistan. The ways of supporting entrepreneurial activity through liberalization of tax policy, simplification of taxation mechanisms and digitalization of tax administration are analyzed. Also, the existing problems in the taxation of small and medium-sized businesses, organizational and legal mechanisms for their elimination, and directions for improvement based on foreign experience are indicated. The results of the study include proposals aimed at creating a favorable tax environment for business entities, ensuring transparency of taxation, and stimulating economic growth.

Keywords:

taxation, business entity, tax policy, tax administration, digitalization, economic growth, tax revenues, risk analysis, risks, tax incentives, tax rate.

Introduction:

In a market economy, the effective development of entrepreneurial activity is an important factor in increasing the country's economic potential, creating new jobs and improving the living standards of the population. Therefore, reforms aimed at supporting entrepreneurial entities, creating a favorable tax environment for them, and gradually reducing the tax burden are being consistently implemented in Uzbekistan. Stimulating the activities of entrepreneurial entities by improving the tax system and simplifying its administrative procedures have become one of the priorities of the state economic policy. Currently, tax rates have been optimized in our country and convenient electronic services have been introduced for taxpayers, which serves to ensure business transparency and reduce the share of the "shadow" economy. At the same time, some problems still remain in the process of taxation of entrepreneurial entities. In particular, increasing the level of digitization of

tax administration, strengthening the legal knowledge of taxpayers, and ensuring the effectiveness of tax control are among the urgent tasks of today. Within the framework of this topic, the goal is to analyze ways to improve the taxation of business entities in Uzbekistan, study the experience of foreign countries, and develop proposals for further development of the national tax system.

Literature review:

The issue of improving the taxation system of business entities is one of the most urgent areas of economic policy, widely studied both globally and in the practice of Uzbekistan.

A. Smith, in his work "An Inquiry into the Nature and Causes of the Wealth of Nations", emphasizes that taxes are considered the main source of income of the state, and their fair and equal distribution affects economic activity. In his opinion, the tax system should not hinder economic freedom.

In the works of D. Ricardo and J. M. Keynes, tax policy is seen as a means of regulating economic

growth. They emphasized the need to develop tax mechanisms aimed at increasing state budget revenues and stimulating production.

In the works of modern economists J. Stiglitz ("Public Sector Economics") and P. Krugman ("Economics"), it is noted that the efficiency of the tax system is of decisive importance in ensuring economic stability. In their opinion, the tax system should create a stable environment for business activity and stimulate investment activity.

Uzbek scientists S. Holmuhamedov, Sh. Yuldashev, A. Ikramov, B. Abdurakhmonov and M. Alimov have extensively covered the issues of improving the national tax system, the expediency of tax benefits and the digitalization of tax administration in their research. In their opinion, further simplifying the taxation system for business entities, the widespread introduction of "digital tax services" and creating a transparent environment for taxpayers are important conditions for economic growth.

Foreign researchers E. Tanzi and V. Trekki (IMF experts) have proven in their work that it is possible to expand the tax base and increase the efficiency of collection through the digitalization of tax administration. This direction is also of great importance within the framework of the "Tax Administration Digitalization Strategy" being implemented in Uzbekistan.

Scientists such as A. Makovesky and E. A. Zareskaya also define the concept of tax optimization, which is one of the most common legal methods of tax evasion. According to them, "Tax optimization is usually understood as the purposeful legal actions of the taxpayer, including the full use of all benefits provided for by law, reducing the amount of tax obligations through tax incentives and other legal benefits. In other words, this is the organization of the activities of an economic entity in which tax payments are reduced to a minimum on legal grounds, without violating the norms of tax and criminal law".

E. Hoover indicated the main socio-political basis of tax evasion when he said that "in Germany, the desire to evade taxes is stronger than the desire to be born"

Tahlil va natijalar muhokamasi.

Formation in Uzbekistan (from 2017 to the present). Special attention has been paid to improving the taxation of business entities in Uzbekistan since 2017. In 2018, the "Concept for Improving Tax Policy" was adopted. In 2019, the new Tax Code came into force. During 2020–2024, electronic invoices, online tax systems, and digital tax administration were gradually introduced.

The main tasks of improving the taxation of business entities. Simplification and stabilization of tax policy. Bringing taxation procedures for business entities into a clear, stable, and predictable form. Ensuring the stability of business activities by maintaining stable tax rates. Digitalization of tax administration. Widespread introduction of electronic invoices, online cash registers, and an automated system of tax reporting. Analyze taxpayer activities through artificial intelligence and information technologies. Optimize the tax burden. Expand preferential tax regimes for small and medium-sized businesses. Create tax breaks for production and export-oriented enterprises. Expand the tax base. Analyze the taxpayer base by sector and region and bring hidden economic activity to the legal arena. Ensure full tax collection through digital monitoring systems. Improve the business environment. Create a convenient, transparent and fast service system for taxpayers. Strengthen mutual trust and cooperation between tax authorities and entrepreneurs. Study and implement international experience. Use the experience of tax administration of developed countries. Create a national model based on digital tax systems (for example, the experiences of Estonia, Korea, Singapore). Improve the tax legal framework. Improve the Tax Code in line with the needs of business entities. Strengthen advocacy work to increase the legal culture of taxpayers.

In recent years, work has been consistently continued to gradually reduce the tax burden and create favorable conditions for business entities.

In particular, the value-added tax rate was reduced from 15 percent to 12 percent and the

property tax rate for legal entities from 2 percent to 1.5 percent.

Also, the turnover tax rate was set at 1 percent, with a special tax regime introduced in some regions.

As a result, Uzbekistan ranked 18th among 174 countries in terms of tax burden, and entered the list of countries with a competitive and stable tax policy.

3. Despite the reduction in tax rates and the expansion of the scope of benefits provided, as a result of timely decisions, the forecast indicators for tax revenues for 2022-2024 were exceeded, ensuring a stable growth rate of 111.7% in 2023 and 120.2% in 2024.

Also, the forecast indicators of 150.6 trillion soums set for the first 9 months of 2025 were met by 158.7 trillion soums, or 105.4%, bringing additional revenues of 8.1 trillion soums to the budget.

The level of voluntary tax payment reached 99.1%, and the automatic generation of reports reached 89.8%.

4. The number of taxpayers and the dynamics of business activity. As a result of supporting entrepreneurship and simplifying tax administration, the number of taxpayers is showing a consistent growth trend.

Firstly, the number of active taxpayers has reached 554.3 thousand. At the same time, the share of business entities operating for more than 3 years is 73.6%.

Secondly, in 2022–2025, the share of taxpayers under the general tax regime increased from 29% to 41%, while the share of entities under the simplified regime decreased from 71% to 59%.

Thirdly, the number of self-employed persons increased by 3.5 times and amounted to 5.6 million as of October 1, 2025 (in 2022 - 1.6 million).

Also, there is a steady growth in the section of tax types:

- the number of payers for profit tax and VAT increased to 62 percent (145.4 - 234.7 thousand);
- 29% on personal income tax (for 4.8 - 6.2 million people);
- 12 percent on water tax (142.2 - 159.5 thousand);

- 12 percent (69.3 - 77.6 thousand) on property tax of legal entities;

- 7 percent (170.5 - 182.7 thousand) on land tax for legal entities.

These results testify to the effectiveness of the reforms in ensuring the transparency of the tax administration, the stability of the business environment and active economic growth.

The main tasks of improving the taxation of business entities are as follows:

Reform and simplify tax policy. Bring the taxation system for business entities to a clear, stable and predictable state. Improve tax legislation in a way that encourages entrepreneurial activity. Optimize the tax burden. Introduce favorable tax rates for small and medium-sized businesses. Reduce excessive tax obligations that hinder the expansion of entrepreneurial activity. Improve tax administration. Simplify the processes of submitting tax reports, inspections and control. Ensure transparency in the activities of tax authorities and reduce corruption. Introduce digitization and information technologies. Widely introduce online services for taxpayers. Use of electronic invoicing, tax monitoring and artificial intelligence technologies. Expand the tax base. Reduce the size of the shadow economy, attract unregistered entrepreneurs to the tax system. Form a database of taxpayers in a single electronic system. Encourage entrepreneurial activity. Application of tax incentives for innovative and export-oriented enterprises.

Creation of tax mechanisms supporting business entities. Study of international experience and implementation in national practice. Strengthening dialogue with taxpayers. Increasing the legal culture of taxpayers. Strengthening mutual trust and cooperation between tax authorities and entrepreneurs.

Problems of improving taxation of business entities.

Complexity and frequent changes in tax legislation. Numerous changes to the Tax Code disrupt stability in business entities. Some norms are contradictory or incomprehensible, creating uncertainties in their practical application.

Relatively high tax burden. In some small business sectors, the amount of taxes is high relative to production costs, reducing the level of profit. This encourages entrepreneurs to switch to the underground economy. Bureaucracy of tax administration. The process of submitting tax reports and auditing in some cases requires excessive time and expense. The system of communication with tax authorities is not fully automated. Insufficient development of digitalization processes. Electronic tax systems have not yet been fully implemented in all regions. The weak Internet infrastructure makes it difficult for some entrepreneurs to use online systems. Insufficient qualifications of tax officials. Knowledge of new technologies and international practices in the field of taxation is not constantly updated. This reduces the effectiveness of modern tax administration. High share of the shadow economy. Some business entities operate without maintaining official reporting. As a result, the tax base is not fully formed and has a negative impact on budget revenues.

Ineffective application of tax incentives. Some incentives are granted not to real productive business entities, but to entities with administrative capabilities. This leads to a distortion of the competitive environment. Lack of integration between information systems. Information exchange between tax, customs, banking and other state bodies is not fully established. This reduces the effectiveness of tax control. Low taxpayer culture. Some entrepreneurs do not fully understand the importance of the taxation process. The role of taxes in the state budget and social development is not fully understood.

1. Simplification of the tax burden

Starting in 2026, the turnover tax rate for individual entrepreneurs and independent workers with an annual turnover of up to 1 billion soums is set at 1%. It is planned to exempt from tax reporting: starting in 2026, tax authorities will prepare reports for entrepreneurs on land, property, social and income taxes, and entrepreneurs will be able to correct them within five days. Simplified tax regimes and digital services are being

introduced: QR codes, electronic wallets, a "single window" system.

2. Tax benefits and promotional measures

Tax benefits are being provided in priority areas such as the press, IT sector, youth entrepreneurship, and green energy. In a number of regions, there are benefits for land and property tax, a certain part of the land tax. Measures are being taken to encourage entrepreneurship by easing tax audits and penalties. For example, a warning is required for the first administrative error.

3. Digitalization and transparency of tax administration

Electronic services, payments via QR code, and the "single window" system create great convenience for entrepreneurship, while at the same time facilitating the exit from the pitfalls. Testing regimes and rating systems are being introduced in the activities of tax authorities, in order to encourage "healthy" business in entrepreneurial activity.

4. Problems and aspects requiring attention

Close monitoring of the implementation of privileges and benefits is necessary: there is still little analysis of their use by business entities and their results. Along with digitalization in tax administration, cyber threats and information system security issues may also arise. Some regulations and benefits are valid only under certain conditions - during the day, in units such as young entrepreneurs, special sectors. It may not be the same for all subjects.

5. Main tax regimes and benefits

For small businesses, there is a single form of "turnover tax" ("tax on turnover"), for example, the rate for entrepreneurs whose turnover does not exceed the established norm is set at approximately 4%. Among the tax benefits applicable to small businesses in 2025: for those engaged in export activities (for example, joint-use fruit and vegetable exports), reduced or reduced rates on profit tax and social tax are established. There are incentives for tax reporting and inspections: for example, a 3-year moratorium on inspections in the event of voluntary liquidation is being introduced for small businesses with a turnover not exceeding 10 billion soums and no tax debts. To simplify tax administration: it is planned to remove the

need for entrepreneurs to prepare reports on land, property, social and income taxes for small businesses.

6. Indicators and practical situation

In 2023, approximately 64,272 small businesses in Uzbekistan paid more than 10.9 trillion soums in taxes. In the first half of 2024, the turnover of small business enterprises amounted to 80.6 trillion soums, and tax payments opened the door to 7.1 trillion soums. The administrative approach to entrepreneurship is changing - open dialogues with small business entities, their proposals are being listened to, and support mechanisms are operating by tax authorities.

8. Points to consider

For those starting a business, it is important to determine which tax regime will be applied - general, simplified (turnover tax) or special preferential.

To use the benefits, it is necessary to meet the established conditions (turnover rate, tax debt-free, type of activity, etc.).

Timely filing of tax returns and understanding the procedure for administrative liability are essential for the benefits to be effective. It is important to monitor innovations and changes in the tax system (for example, the regimes introduced in 2025-2028).

Conclusion and suggestions.

Deepening the digitization of tax administration.

It is necessary to introduce a system for automatic formation of tax reports, online monitoring and forecasting of tax audits using artificial intelligence tools. This will reduce the human factor, increase transparency and trust. Further optimize the tax burden for small and medium-sized businesses.

The turnover tax rate can be differentiated (for example, 3% for the service sector, 2% for the manufacturing sector).

It would be effective to provide tax holidays to newly established business entities in the first 1-2 years of activity.

Introduce a system for assessing the effectiveness of tax incentives.

Annual analyses should be conducted in cooperation with the State Tax Committee and the Ministry of Economy on the economic

impact of each incentive or relief. Ineffective incentives should be phased out and the funds received from them should be directed to effective areas.

Expand the "single window" principle.

It is recommended to expand the functionality of the "my.soliq.uz" system so that taxpayers can make all reports and payments through a single online platform. This will save time and resources for entrepreneurs.

Strengthen interactive dialogue between tax authorities and entrepreneurs.

Online discussions in the form of a "tax forum" should be organized every quarter, and regulatory documents should be improved based on the suggestions and complaints of entrepreneurs.

Increase the legal culture of taxpayers.

It is necessary to establish special training courses on tax education, online trainings and distance consulting services. This will help entrepreneurs correctly understand tax legislation and reduce the number of fines for errors.

Create a tax system that encourages innovative and "green" entrepreneurship.

It is possible to support small and medium-sized enterprises that use green technologies, produce renewable energy or produce environmentally friendly products by providing them with tax benefits.

Adapt international experience to national conditions.

Adapting the experience of digital tax payment systems and "e-Tax" platforms used in countries such as the USA, Korea, and Estonia to the conditions of Uzbekistan will be very effective in stimulating entrepreneurship.

Developing a forecast model for the tax burden. An online "tax calculator" system should be developed that automatically calculates the tax burden depending on the type of business activity. This will allow the entrepreneur to accurately calculate his business plan in advance.

Expanding the tax base by reducing the informal economy.

To reduce the "shadow economy", it is necessary to involve small business entities in

digital registration, and not by restricting, but by legalizing, methods.

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