



FEATURES OF SIMPLIFYING THE MECHANISM OF TAXATION OF SMALL AND MEDIUM-SIZED BUSINESS ENTITIES

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Abstract

This article focuses on further reducing the negative impact on the competitiveness of the republic's economy by gradually reducing the monopoly in the commodity and financial markets, increasing the efficiency of the system of granting benefits and preferences, as well as reducing the regulatory system of legislation. Simplification of the mechanism of taxation of small and medium-sized business entities and implementation of tax administration and fundamental improvement of mutual cooperation of taxpayers in the fulfillment of republican tax obligations.

Keywords: tax, fiscal policy, budget, tax administration, tax potential, regulatory analysis, positive analysis, tax burden, representative tax rate, average rate, tax reporting, tax revenues, tax credits.

Analysis of literature on the topic

Within the scope of the topic, the main studied economic category of taxation is the improvement of service to taxpayers in the tax administration, let's dwell on the definitions given in relation to the improvement of service to taxpayers.

According to L. Erhardt, the market economy can function only if freedom of consumption, choice of profession and workplace, ownership of private property along with means of production, and freedom to enter into contracts are a necessary condition. L. Erhard described free private initiative and competition in accordance with the active participation of the state in the economic life as a tool for economic recovery of the country¹.

In particular, according to the great classical economist Adam Smith (1992), he associated competition with fair, honest, non-collusive competition between market entities for more favorable conditions for buying and selling goods. He knew price changes as the main method of competition. In this, he noted that the market, which is not controlled by the will of the community, does not have common goals, and follows strict rules of behavior. Therefore, it is the same "invisible hand" that coordinates the activities of competition-market participants. Within the framework of the economic development theory, Y. Schumpeter defined competition as a rivalry between the old and the new. Innovations are viewed with skepticism by the market, but if the innovator succeeds in implementing them, he argued that the competitive mechanism will drive companies using outdated technologies out of the market.

According to Tokarev and Maninalar (2015), export potential can be defined as the ability of an enterprise to create and produce competitive products for export, promote it to foreign markets, sell goods there, and provide services at the required level.



The American economist Naisbit (2013) defines the export potential of the enterprise as a dynamically changing component of the economic potential, in accordance with its organizational and technical structure, the mission and goals of the enterprise, taking into account the influence of environmental factors and internal conditions, the level of profitability in the far and near foreign markets. provides stable trade volumes. According to Pugachev and the Parfenovas, "In the field of tax policy, it is necessary to distinguish two main areas of regulation of the digital economy:

- 1) regulation of duties and definitions of taxation of digital economy operations;
- 2) introduction of digital technologies in tax and customs administration and control."

According to Vishnevsky (2019), new tax institutions will be formed in connection with the automation of the production process and the robotization of the system of economic relations in the context of the digitization of taxation. The taxation system will be objectively transformed. According to Pogorlesky and Keshner: "Introduction of digitalization and information technologies to the tax administration will necessarily lead to a reduction in the workload of the tax authorities, as well as to a reduction in debts on types of taxes and insurance contributions."

According to Goncharenko (2021), "tax optimization" is becoming very complicated nowadays. Tax authorities should be interested in optimizing tax costs, so that businessmen forget the concept of "tax avoidance".

Spiridonov et al. (2010) gave the following definition: "Tax optimization is a purposeful legal action of a taxpayer aimed at reducing tax liabilities, which includes the use of tax credits, tax exemptions and other methods and rules established by law." will take." In general, small and medium-sized businesses show that it is possible to simplify the mechanism of taxation of business entities and improve service to taxpayers.

Tahlil va natijalar muhokamasi

Taxation of small and medium-sized enterprises is unique, and here are some important aspects to consider. They can be used by small and medium-sized enterprises to sell goods and services in modern conditions in online trade and electronic commerce. In this regard, there are issues of taxation of such activities. Some countries have special rules and tax procedures for online commerce. In this case, small and medium-sized enterprises should take measures to ensure cyber security when using information technologies in the field of cyber security, and it is important to take into account the costs of cyber security when determining the tax base. In data transfer and integration processes, many small and medium-sized enterprises currently store and process customer data, financial transactions and other sensitive information. Some countries have Legislation that governs the transfer of such information and may have tax implications. In terms of tax incentives, some countries have special tax incentives to encourage the development and growth of small and medium-sized enterprises.

These benefits should be provided both for the use of information technology and for the sector as a whole. It should be noted that taxation of small and medium-sized businesses varies from country to country and depends on local legislation. Many countries have special tax incentives and programs to support the simplification of taxation of small and medium-sized businesses in the information



technology sector. Such incentives include reductions in the income tax rate, exemptions from certain tax obligations, as well as tax credits or subsidies for investments in IT infrastructure or research and development. Simplification of the procedure for taxation of small and medium-sized businesses in the IT sector may depend on the status of the taxpayer and the scale of business (for example, an individual entrepreneur, a limited liability company, etc.). In addition, additional taxes and fees related to social security, labor relations and other aspects of business may apply. In order to simplify the process of taxation of small and medium-sized businesses on information technologies, it is possible to define specific measures in accordance with the legislation of the country and the individual conditions of business in the taxation of tax subjects.

In the process of studying the system of state regulation and support measures to improve the management of small and medium-sized businesses, the question may arise whether state regulation in general helps or harms business. World Bank USA on ease of doing business¹ ranked the seventh best country, but research shows that SMEs still say regulation is too much. On the one hand, regulation protects consumers and ensures that all businesses are treated equally and contribute equally to society. On the other hand, too much regulation can stifle businesses, preventing them from creating jobs and contributing to the economy. It is known that there is a policy of fiscal, monetary and direct support of the state in the control of small business. In fiscal policy, the activity of business entities is managed through taxes and state payments, while in monetary policy, it is understood the control and management of the mass of money in circulation through the national bank of the state. The direct influence of the state on small business is realized by its creation of laws related to this field. Since the development of small business largely depends on the state's policy on the regulation of this sector, the deepened fiscal policy of regulation causes difficulties for the independent activity of the business entity. For this reason, the weight of fiscal policy in managing the economy should not be high. After all, the constant changes in the tax legislation, the large number of types of taxes and the complexity of the tax system lead to entrepreneurs falling into bankruptcy rather than forming their own business. Comprehensive 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. The traditional "open dialogue" of the President of the Republic of Uzbekistan with entrepreneurs has a unique place in this. During the dialogue, a number of initiatives were put forward by the head of our country, which are important for the development of entrepreneurship and the development of our country. The previous proposals and initiatives open the door to new opportunities for small businesses, contribute to the development of medium-sized businesses, increase access to new markets with quality and competitive products, and support the growth of high-profit enterprises. Initiatives to simplify tax administration and eliminate bureaucracy create a platform for entrepreneurs to reach new heights.

This dialogue has been held for three years. During this period, not only our country, but also the world community lived in a whirlwind of economic uncertainties due to the pandemic and the geopolitical

¹ <https://www.vsemirnyjbank.org/ru/country/uzbekistan>



situation in the midst of global problems. It must be admitted that the changes taking place in the international arena have had a strong impact on the life of the world community in the last three years and have had an impact on the economy of countries, including our national economy. In the current situation, the reforms carried out by the leadership of our state and the practical implementation of strategic goals ensured the stable growth of our national economy and created a foundation for our people to live a decent life. It is not an exaggeration to say that entrepreneurs are the first to feel the changes in international life. Because, due to the various conflicts happening at the global level, the disruption of the logistics and product supply chain will greatly affect their activities. In addition, the devaluation of the currency of the countries in which the partners operate and the high level of inflation on a global scale also create a certain difficult situation for entrepreneurs. These aspects were discussed in open dialogue, and specific proposals for solving the current priority tasks were made. If we pay attention, on the eve of open communication, in 2021, more than 15 thousand, in 2022 More than 12,000 applications were received this year, and 6,000 applications were received this year. So, as the problems are solved, the number of appeals is also decreasing.

If we focus on world experience, the number of large enterprises has decreased and the number of small enterprises has increased sharply in the conditions of the modern market economy. Because small business and private business entities are quickly adapting to the requirements of the market economy and are becoming advanced in mastering innovations. This easy adaptation to market dynamics and changes greatly contributes to the development of entrepreneurship. In recent years, the growth of small business is reflected in the gross domestic product of our country. Therefore, in our country, much attention is paid to the development of small and private entrepreneurship based on the experience of developed countries. Taking into account the importance of small business and private entrepreneurship in fully covering local needs and exporting products, strategies and roadmaps for the development of this sector have been developed and are being consistently implemented. All these processes will be a solid foundation for the rapid development of the economy.

Today, in our country, the reforms regarding the reform of the economic and social sphere and the establishment of free entrepreneurship activities are being carried out in a logical sequence. In particular, all the necessary organizational and legal mechanisms have been created to develop entrepreneurship and ensure its legal protection. As a result of the implemented reforms and measures, the business environment is improving, and entrepreneurship is gaining importance in ensuring our economic development. In the last six years, a total of 3,087 legal documents, including 153 laws, were adopted in the field of business development and rights protection. On the basis of adopted laws, presidential decrees, decisions and Government decisions, a notification procedure for the registration of business entities was introduced, their financial and economic activities can be checked only by tax authorities, and any sanctions against entrepreneurs are applied according to a court decision. , all forms and types of reporting, unreasonable interference in the activities of entrepreneurs and the number of inspections have been drastically reduced. In particular, from January 1, 2017, all types of unscheduled inspections of the activities of business entities, including all types of alternative



inspections within the framework of criminal cases, were canceled. The practice of establishing moratoriums on conducting inspections of businessmen's activities was introduced.

Starting from September 1, 2018, planned and control inspections conducted in the activities of business entities were canceled and the procedure for conducting inspections based on the appeals of individuals and legal entities about violations of the law in the activities of business entities and based on the "risk analysis" system was established. It is established that inspections in the activities of business entities will be allowed after preventive measures to prevent violations of the law have been carried out in the prescribed manner, and 16 control bodies of state administration and local government authorities functions have been canceled. Of course, in the development of business activity, along with legal bases, its financial support is also important. During the dialogue, it was reported that 10 percent of entrepreneurs will invest in the financing of projects of business entities, and the remaining 90 percent will be allocated by the newly established "Business Development Bank" and financial resources by the state. This is a great incentive for entrepreneurs and creates a wide space for the implementation of their initiatives.

In our country, consistent measures are being taken to fundamentally improve the business and investment environment, eliminate excessive bureaucratic obstacles, and improve outdated procedures that do not meet the requirements of the times. As a result of the practical measures taken, the total period of providing public services was reduced from 787 days to 471 days, 132 licenses and authorization procedures were canceled in the field of entrepreneurship. The procedure for using state services based on the principle of extraterritoriality was introduced, the practice of requiring a total of 73 documents and references from citizens and entrepreneurs by state agencies was abolished.

Also, in 2017, state service centers were established in each district (city) in order to ensure that the national system of providing public services to the population moves to a new level in terms of quality. As a result of the reform of this system, 172 of the existing more than 750 state services were provided in the Centers, and 308 of them were provided interactively through the portal of the Unified interactive state services of the Republic of Uzbekistan and the "License" information system. To date, 207 32 million to individuals and legal entities through the centers and their 141 branches. More than 100 services were provided. As a result of the introduction of new forms of public service provision, 17 public services have been provided in a composite manner. More than 200 procedures have been revised and simplified as a result of the introduction of the provision of public services through the centers. It should be noted separately that the work carried out in these directions created a solid foundation for the liberalization of the licensing and permitting system and the start of a new stage of institutional reform. The Law "On Licensing, Permitting and Notification Procedures" was adopted in order to regulate relations in the field of licensing, permitting and notification. With this legal document, the final lists of 50 licenses, 124 authorization documents and 34 notifications were approved. Now it is forbidden to introduce new types of procedures that are not provided for in it. That is, the list of types of activities for which a license, a document with the nature of permission and notification to the competent authority is required for their implementation are approved by law, and after the adoption of the



relevant law, physical and it is not allowed to require legal entities to go through administrative procedures.

Licensing, authorization and notification procedures are strictly carried out electronically through the "License" information system. For the first time, a completely new mechanism related to the implementation of activities by notifying the authorized body was introduced. In this case, individuals and legal entities confirm that they comply with the requirements and conditions established by law for the implementation of the activity or action introduced by the notification procedure. Through an automated electronic system, compliance with the requirements and conditions established by law is checked without human intervention as a priority during the submission of documents. types of activities that are not required to be accepted, but are carried out by assuming the obligation to comply with the requirements and conditions established by law in order to ensure state regulation and accounting of entities engaged in relevant activities.

Priority was given to the state support of business entities, and the State Fund for the Support of Entrepreneurial Activities provided financial assistance in the amount of more than 15 trillion soums to more than 46 thousand projects of business entities. Extensive work has been carried out in the field of entrepreneurship development, investment attraction and creation of a favorable environment for conducting business, as well as strengthening legal guarantees for the protection of legal interests of entrepreneurs. In particular, the tax system has been fundamentally reformed, the procedure for obtaining permitting documents has been significantly simplified, and planned inspections unrelated to the financial and economic activities of business entities have been canceled. The practice of "tax amnesty" was used to write off debts related to business activities. During the coronavirus pandemic, special attention was paid to supporting industries such as tourism, transport, pharmaceutical and textile industries and ensuring their stability. For example, the calculation and payment of the tourist (hotel) fee, and the application of fines to business entities for overdue receivables in foreign trade operations have been stopped.

Conclusions and Suggestions

In terms of the level of the tax burden in our Republic, it is mainly compared with Asian countries - the so-called Asian tigers (South Korea, China, Taiwan, Thailand, etc.). The average tax burden on these tigers is 21% of GDP. However, these countries do not announce the social direction of their economy. They don't have pension payments, they don't have a full pension system. Each family takes care of its own elderly, that is, costs, but they are not counted as taxes. The tax burden in our country has already approached the "Asian tigers" - in 2021 - 22.4% (without social payments like they have). We should not forget that we are a socially oriented republic.

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