

## Ways to Improve the Regulation of the Economy through Tax Incentives

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### ANNOTATION

*The article discusses the economic significance of tax benefits, the issues of effective management of economic activities by the state through their application and the rational conduct of budget policy. scientific proposals and practical recommendations have been developed to ensure that tax incentives do not limit fiscal policy.*

**KEYWORDS:** *tax credit, budget, incentive function, compensatory function, tax credit principles.*

### Introduction

One of the important means of regulating the economy through taxes is tax incentives, which can be used not only to influence certain processes of enterprises, but also to improve the social environment in enterprises. These tools are widely used in developed countries. For example, it is widely used in stimulating the business activity of the enterprise and its capital inflows, in the development of innovative products, in reproduction.

The development of a model of effective management of economic activity by the state through tax incentives, on the one hand, should provide tax payments to the budget with sufficient funds to avoid budget losses, on the other hand, to stimulate financial and economic activities through tax incentives. to be achieved.

### Literature review

It should be noted that the incentives provided to taxpayers under the laws and regulations are often recognized as benefits to businesses. The purpose for which the non-payment of taxes and (or) other mandatory payments is referred to as the ability of taxpayers to pay less is the benefit of taxes and other mandatory payments. Some economists, when describing tax benefits, argue that tax benefits are used by the state to regulate the economy and solve social problems in the manner prescribed by law. For example, economist F. Rakhmatullaeva in her article "The essence of tax benefits and their role in stimulating the economy" in our opinion has a broader definition than tax benefits, which, according to the author, is a set of ways, rights and obligations to reduce the taxpayer's tax liabilities in whole or in part in the manner prescribed by law for the purpose of resolving them "[1].

Uzbek scholars A.Vahobov and A.Juraev approached tax benefits as a variety of tax benefits for taxpayers, which can be provided in temporary and permanent, full or partial and other forms. The types of tax benefits, mechanisms of implementation, criteria for determining are determined based on the level of socio-economic development of the country [2].

According to Malikov, tax benefits mean a full or partial reduction of the taxpayer's tax liabilities, delays or deferrals. The incentive function of taxes is carried out through a system of tax incentives. The tax exemption is reflected in changes in the object of taxation, reduction (reduction) of the tax base, reduction of tax rates, etc. "[3].

Furthermore, the functions of tax incentives are also described in the economics literature [4,5]. They

argue that the tax benefits provided to some of the tax payments have compensatory and incentive functions for the entities to which their impact is directed [6]. The first reflects the creation of equal opportunities for taxpayers as a result of external and internal factors. Here, the tax credit is intended to compensate for economic, financial and social differences and to eliminate the negative impact of these differences on the taxpayer's labor and business activities.

The second, i.e. the incentive function, is characterized by the fact that it focuses on the development of certain types and sectors (areas) of economic activity in exchange for the creation of favorable opportunities.

It is noted that each of these functions, in the opinion of economists, has a positive impact on the economic situation, allowing the budget to increase tax revenues [7].

In general, in the above-mentioned scientific views, tax incentives, as a means of incentives, embody social significance in themselves by satisfying the interests of the taxpayer, that is, influence the achievement of a socially significant outcome.

### **The main part**

The application of tax benefits can also depend on various actions: the political situation, the direction of financial and economic policy of the state, the contingent of the population, etc. Today, from the world experience, it is expedient to highlight three factors that stimulate the state economy through tax incentives and achieve better results .

First, a tax exemption that applies to the highest limits, ie the complete exemption of an enterprise from paying a certain type of tax by applying "zero" tax rates. However, strict measures should be taken in case of non-fulfillment of tax obligations under another type of tax.

Second, a reasonably developed tax incentive model. At the same time, tax rates are not high, the widespread use of exemption from tax burden for certain groups of enterprises (ie, depending on their location), the existence of minimum tax rates. In this case, the procedure for applying differentiated tax rates, mainly based on the location of enterprises. As a result, opportunities will be created for the formation of production and service infrastructure, even in remote areas.

Third, setting tax rates based on the line of business. Through this, it will be possible to achieve constant incentives for enterprises and provide sufficient revenues to the budget.

In general, following the dialectic of a strong link between tax and tax benefits, it is also important to constantly calculate the effectiveness of the tax benefit relative to tax revenues and compare the result achieved with previous years. If most of the increase in tax revenue is achieved through tax incentives, then tax revenues will be higher in that case. Therefore, effective tax policy and effective tax incentives will also be able to increase tax revenues to budget revenues and thus reduce the tax burden.

In this regard, it should be noted that the scope of application of tax benefits should embody an improved procedure for compliance with the principles inherent in taxes. According to him, it is important to include the following among the basic principles of tax benefits, ie the principles that can make it work:

- Legitimacy is the essence of the fact that certain groups of tax payments, unlike other groups of taxpayers, have certain restrictions on taxes and other mandatory payments, which are legally established;
- Periodicity - this means that the tax credit can be valid for a certain period of time set by law;

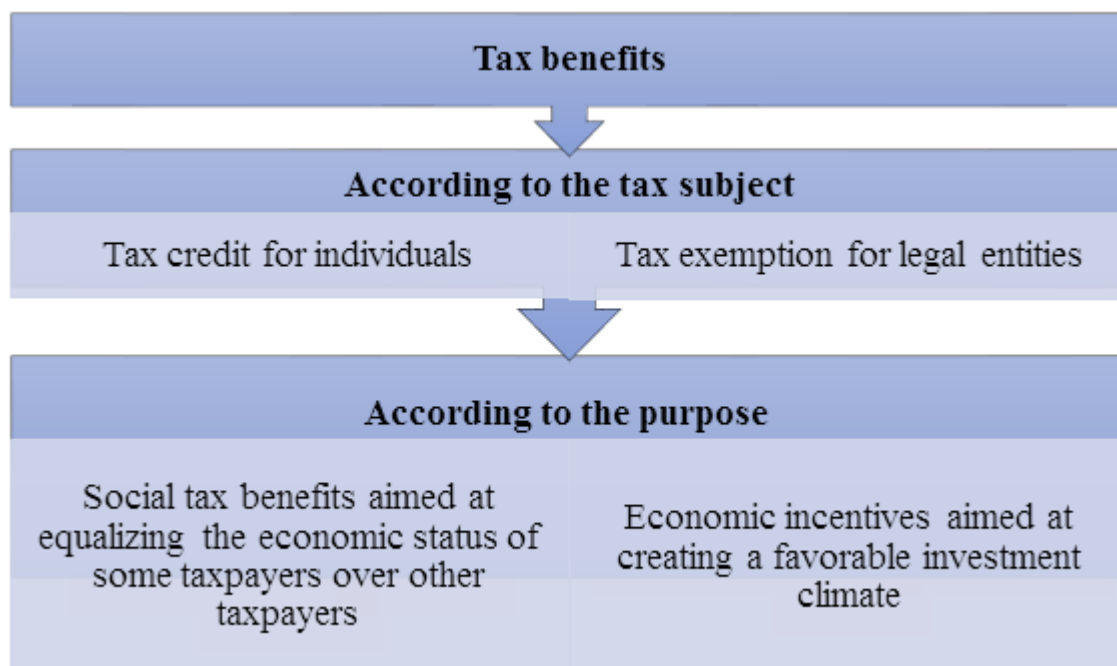
- Volunteering is the use of existing privileges to be voluntary. In this case, the use of benefits is prohibited;
- Reduction of tax liabilities - any view of these tax benefits provides a reduction in the tax burden;
- Selection (separation) - such a sign of privilege is distinguished by the fact that the privileges are provided to certain categories of taxpayers who meet certain requirements or criteria;
- Purposefulness - such a privilege implies that the economy is used by the state to regulate, achieve a specific goal and solve social problems;
- Efficiency is a characteristic feature of the privilege, which means that the effectiveness of tax incentives fulfills its functions [1].

Each sign of tax benefits can be applied within different areas of economic activity. While each of them can be applied to each type of activity of taxpayers, each of them allows to reduce the tax burden to a certain extent, the tax benefit is an incentive to increase efficiency in the field of activity applied, as well as for business development.

Moreover, the extent to which tax benefits do not leave funds at the disposal of the enterprise, do not serve to increase profits (income), it reduces budget revenues. Nevertheless, the state seeks to make extensive use of these as an incentive. The goal is to develop entrepreneurship in the economy and increase the income of business entities, which in turn will increase the tax base, which will increase tax revenues to the budget.

The tax credit can have a primary and a secondary purpose depending on its actions. The first is characterized by generality and permanence, which is reflected in compensation or incentives. The second manifests itself with precision and has social, economic, ecological aspects.

Here are the general features of tax benefits, which are distinguished by the benefits assigned to the categories. It is also divided into groups according to the tax subjects set for the intended purposes of the state (Figure 1).

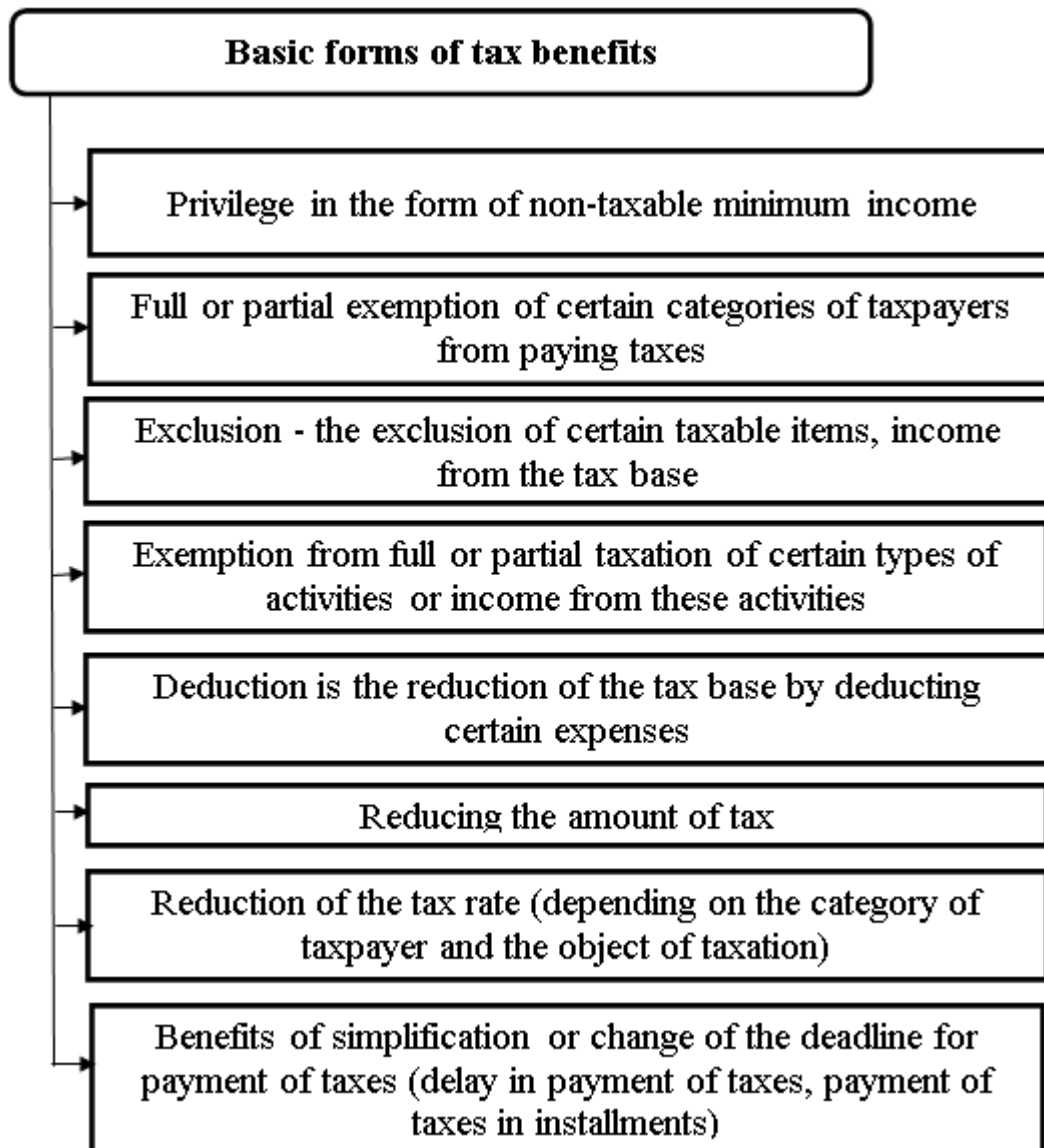


**Figure 1. Classification of tax benefits**

It relies on experience in granting tax benefits in various forms. Forms of benefits will always have development opportunities (Figure 2).

It should be noted that the application of forms of tax incentives is determined by many internal factors (specific features of taxation in favor of enterprises, network structure and the share of high-tech sectors in this structure, the level of innovation, innovation policy of the state, etc.).

In the first quarter of 2022, a total of 44,183 business entities in the country benefited from tax benefits in accordance with the procedures established by the current legislation, the total value of tax benefits applied to them is more than 9 trillion soums.



**Figure 2. Basic forms of tax benefits**

Tax benefits are provided for 7 types of taxes, and a significant part of them falls on the share of value added tax (VAT) (93.5%) (Table 1). It is followed by personal income tax (1.6%), income tax (1.6%), land tax (1.3%), social tax (1%), property tax (0.6%) and turnover taxes (0.3%).

**Table 1. The amount of tax benefits in Uzbekistan [8]**

<b>№</b>	<b>Type of tax</b>	<b>Privilege s ummasi (in billions of soums )</b>
1	Added value tax	8,446.65 (93.5%)
2	Physical from individuals removable income tax	146.6 (1.6%)
3	Benefit tax	146.2 (1.6%)
4	Land tax	121.1 (1.3%)
5	Social tax	90.0 (1%)
6	Property tax	54.5 (0.6%)
7	Without rotation removable tax	30.8 (0.3%)
<b>Total :</b>		<b>9,035.90</b>

The list of those eligible for tax benefits includes taxpayers with different forms of ownership. The list includes state-owned enterprises, private businesses, joint ventures, joint-stock companies and foreign companies.

In terms of sectors, the enterprises operating in the mining industry, banking, transport, pharmaceuticals, utilities, oil and gas, energy, insurance, medicine, construction, recreation, sports and other areas benefited from the benefits.

The most widely used type of tax credit is the personal income tax, which was used by 16,565 or 37.7% of business entities. The lowest type of tax is the income tax, which was used by 772 or 1.7% of business entities (Table 2).

**Table 2. Number and share of entities benefiting from tax benefits [8]**

<b>№</b>	<b>Type of tax</b>	<b>Privilege used number of subjects</b>
1	Physical from individuals removable income tax	16656 (37.7%)
2	Added value tax	12040 (27.3%)
3	Social tax	5,199 (11.8%)
4	Without rotation removable tax	4951 (11.2%)
5	Land tax	2639 (6%)
6	Property tax	1926 (4.3%)
7	Benefit tax	772 (1.7%)
<b>Total :</b>		<b>44 183 ta</b>

**Top-20** business entities with the largest number of tax benefits in the country and the amount of benefits provided to them.

**Table 3. List of entities with the most tax benefits in the 1st quarter of 2022 [8]**

<b>№</b>	<b>Enterprise name</b>	<b>Privilege amount ( billion soums )</b>
1	Navoi Mining and Metallurgical Combine JSC	1 327, 1
2	TIF " National Bank " JSC	530, 6
3	" Almalyk Mining and Metallurgical Combine "	457.3
4	"Ipoteka-bank" ATIB	422.2
5	" Uzbekistan Industrial and Construction Bank	400.9

6	Agrobank JSCB	397.7
7	“The state is a joint- stock company tijorat banki Asaka ”AJ	251.9
8	JSC " People's Bank"	195.1
9	Kapitalbank JSCB _	181.3
10	“ Asia trans gas ” MChJ	164.8
11	“ The village construction bank ”JSCB	159.4
12	“ Uzbekistan airways ”AJ	152.8
13	“ Grand pharm trade ” MChJ	148.3
14	“ Uzbekistan iron Ways ”JSC	147.6
15	" Microcreditbank " ATB	129.5
16	Hamkorbank JSCB _	125.0
17	“ Meros pharm ”LLC	94.8
18	Aloqabank JSC _	77.9
19	“ Trustbank private Joint Stock Bank ”JSC	58.5
20	Turon Bank JSCB	47.5

See below by types of benefits \_ businesses here are the top 10.

**Table 4. Property tax\_Top 10 Privileged Enterprises in [8]**

Mol- mulk tax		
№	Business name	Amount of privilege (billion soums)
1	“ Zarafshon play " MChJ	1.81
2	“ Akfa dream world” MChJ	0.9
3	“ Akfa extrusions” MChJ	0.9
4	“ Navoi mining and metallurgy combinations jamg ' masi ”	0.8
5	" Toshissiqquvati " DUK	0.7
6	“ Islam Karimov Tashkent International University aeroporti ” LLC	0.7
7	“Namangan - independence bog ' i ” MChJ	0.7
8	Surgery scientific and practical medicine center	0.5
9	“ A sosy business ” LLC	0.5
10	“ Food food standard karton ” LLC	0.4

**Table 5. Top ten companies with VAT exemptions [8]**

Additional value tax		
№	Business name	Amount of privilege (billion soums)
1	“ Navoi mining and metallurgy ” AJ	1,327.1
2	National Bank JSC	530.6
3	JSC "Almalyk Mining and Metallurgical Combine"	457.3
4	" Ipoteka - bank" ATIB	422.2
5	“ Uzbekistan _ Industrial and Construction Bank	400.9
6	“ A grobank ” ATB	397.7

7	“ The state stock tijorat banks Asaka ” AJ	251.9	
8	AT “ X alq banks ”	195.1	
9	K apitalbank ATB _ _	181.3	
10	“ Asia trans gas” LLC	164.8	

**Table 6. He was privileged on social tax top ten businesses [8]**

Social tax		
№	Business name	Amount of privilege (billion soums)
1	Lukoil Uzbekistan operating company LLC	7,7
2	“The only republic processing center ” LLC	3.5
3	“ E pam systems” LLC	2.8
4	“ Surhan gas chemical operating company” LLC	2.5
5	“ O 'zbekgeofizika ” AJ	2.3
6	Jalal-Abad district administration	2.3
7	Methodical support department	1.8
8	DM IT group LLC	1.7
9	Hyundai engineering co. LTD	1,2
10	F ido - biznes LLC _ _	1,2

**Table 7. Top ten companies with personal income tax benefits [8]**

Income tax from individuals		
№	Business name	Amount of privilege (billion soums)
1	“ H amkorbank ” ATB	4.6
2	“ Navoi mining and metallurgy kombinati ” AJ	3.3
3	“ I poteka - bank ” ATIB	3.2
4	AT “ X alq banks ”	2,7
5	Sokh District Department of Public Education	2,6
6	“ Naxshab - techno metal” LLC	2.3
7	“ Agro city” LLC	2,2
8	“ Navobod pedigree bird ” FX	1,8
9	Kapitalbank ATB _ _	1,7
10	Uzbekistan airways ” AJ	1,6

**Table 8. Top 10 companies with exempt from turnover tax [8]**

Turnover tax		
№	Business name	Amount of privilege (billion soums)
1	B asell trade LLC _	0.8
2	“ B og ' ot trade 777” MChJ	0.7
3	“ B ek music” MChJ	0,3
4	“ Jayxun-lakrista ” LLC	0,3
5	“ Aviatash ” LLC	0,2

6	“ Angren-cane-obliq ” is OK	0, 2
7	“ B hori lola ” MChJ	0, 2
8	“ Aloqa service nurbuloq ” HK	0, 2
9	“ Gessonit gold ” LLC	0, 2
10	“ Hurshid joyil soft ” XK	0.2

**Table 9. Top 10 companies with income tax benefits [8]**

Income tax		
№	Business name	Amount of privilege (billion soums)
1	AT “ X alq banks ”	33.6
2	city of Tashkent Yeodju technique institutes ” LLC QK	21 , 6
3	R eneyssans xevi indastris DM	17 , 5
4	of S ibir Airlines JSC	15 , 8
5	“Abu dhabi uzbek investment ” LLC QK	6 , 5
6	“ New technology scientific information center ” DUK	5 , 0
7	“ Procab ” LLC	2 , 3
8	“ The capital construction and service ” SUE	2 , 1
9	“ Air Astana ” PU representative office	1 , 8
10	“ P arkent broiler ” LLC	1 , 4

**Table 10. land tax benefits [8]**

Land tax		
№	Business name	Amount of privilege (billion soums)
1	“Tashkent city water supply ” LLC	9.5
2	“ Amirsoy ” LLC	9 , 4
3	“ Navoi mining and metallurgy kombinati ” AJ	6 , 2
4	" O ' zbekgidroenergo " AJ ' s “ Medium _ chirchiq HPPs cascade ” UK	5 , 3
5	“ Tashkent city small industry zones management Directorate ” DM	4 , 0
6	" It simply came to our notice then ways regularly use ” UK	3 , 8
7	“ To ' polang hydroelectric power station state Enterprise ” UK	3 , 6
8	“MCHJ shaped dam get and sports development international corporation do not add Enterprise ” LLC	3 , 1
9	" O ' zekspomarkaz " AJ	2 , 4
10	“ Central hippodrome ” AJ	2 , 3

Taxes as a result of studies privilege has in general tax not paid businesses both the existing stain can be noted . They are privileged has which was total tax 35% of payers or 15,478 formed reaches \_ Learning period such businesses total tax benefits amounting to 3 trillion soums more formed reached \_ Below this businesses list and they have which was tax privilege amount and type reflection who :



**Table 11. Businesses that have a tax credit in the 1st quarter of 2022 and have not paid taxes at all [8]**

<b>№</b>	<b>Business name</b>	<b>Type of tax benefit</b>	<b>Amount of privilege (billion soums)</b>
<b>1</b>	“ Navoi mining and metallurgy kombinati ” AJ	VAT	1327 , 1
<b>2</b>	U zbekistan airways ” AJ	VAT	152 , 8
<b>3</b>	SUE " T oshisshiqquvvati "	VAT	35 , 4
<b>4</b>	“ Uzbekistan _ national electric networks ” JSC	VAT	33 , 6
<b>5</b>	“ F arm luks invest” LLC	VAT	24 , 1
<b>6</b>	SFI management group LLC	VAT	19 , 5
<b>7</b>	Renessans xevi indastris DM	Benefit tax	17 , 5
<b>8</b>	ERIELL OFSME DMCC - 0173	VAT	16 , 2
<b>9</b>	Sibir Airlines JSC	Benefit tax	15 , 8
<b>10</b>	“ Constanta group” LLC	VAT	14 , 6

Tax incentives are very important for attracting foreign investment and economic development. Through tax incentives, it can stimulate scientific and technical developments, environmental projects, and the creation of new high-tech import-substituting industries. In practice, such benefits can be provided, which will be important in overcoming the consequences of economic and financial crises.

### **Conclusion**

Based on the above considerations, it can be ineffective if the production capacity and time interval are not properly taken into account when applying tax incentives. In order to ensure that the benefits are effectively implemented through the country's fiscal policy and do not limit the budget, we offer the following scientific recommendations:

- Taking into account the fact that the results of the use of tax benefits in our country are provided not only to foreign investors, but also for the benefit of business entities, to control the process of encouraging them to invest in their production;
- Tax incentives should be organized in such a way that they have a direct impact on the cost of production, allow to produce competitive products in the market and be a tool to support exports. This should avoid individualizing tax benefits;
- It is also important to study tax incentives in terms of their impact on tax burden indicators. In the current situation, the application of tax incentives in the development of small businesses and enterprises of various sectors of the economy, not only in terms of easing the tax burden, but also should increase the amount of tax revenues to the state budget.

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