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DIRECTIONS FOR THE APPLICATION OF TAX BENEFITS TO BUSINESS ENTITIES

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Abstract : *The article discusses modern mechanisms for applying tax incentives to business entities in the Uzbek economy, their impact on economic development, and the effectiveness of stimulating entrepreneurial activity through incentives. It also studies and analyzes practical aspects of increasing employment, attracting investments, reducing production costs , and simplifying tax administration using digital services.*

Keywords: *entrepreneurship, tax breaks, small business, tax burden, employment, investments, incentives.*

INTRODUCTION

One of the important directions of the deep reforms implemented in the economy of Uzbekistan in recent years is the support of small business and private entrepreneurship, in particular, reducing their tax burden and simplifying tax procedures. The share of small business in GDP, its role in providing employment, and its role in the economic activity of regions further increase the need for tax incentives.

The Development Strategy of New Uzbekistan for 2022–2026 lists tax policy liberalization, creating a favorable tax environment for entrepreneurship , and supporting small businesses as priorities [1].

Also, the legal framework for the development of small business and private entrepreneurship has been consistently formed in our country. The application of tax incentives, a system of preferential lending, protection of entrepreneurial rights, including the introduction of the business ombudsman institution, contribute to the sustainable development of this sector.

This approach requires improving the forms of tax incentives and the mechanisms for their application in practice.

LITERATURE REVIEW

Scientists have expressed different opinions about the role of tax breaks in stimulating the economy. I. Schumpeter interpreted entrepreneurship as a process of development through innovation, noting that tax breaks can accelerate the application of new ideas and technologies. R. Hizrich emphasizes that a reduction in the tax burden increases the entrepreneur's potential to create value.

Many economic literatures present tax incentives as a factor that facilitates the efficient use of business resources, accelerates capital turnover, and facilitates the entry of new entities into the market. These theoretical approaches confirm the strategic importance of tax incentives for small businesses.

METHODOLOGY

The following methods were used in the study: analytical approach - the content, types and

legal basis of tax incentives were studied, comparative analysis - the experience of Uzbekistan was compared with international practice, empirical analysis - the real tax burden and financial results of small businesses were assessed, economic modeling - the impact of tax incentives on employment and investment was assessed.

The methodological basis of the study is to increase the economic potential of business entities, analyze the impact of state support, and evaluate investment processes.

RESULTS AND DISCUSSION

First of all, the use of tax incentives and their economic impact. The Uzbek tax system has introduced a number of incentives for small businesses. These include: a single tax payment system for entrepreneurs whose annual turnover does not exceed a certain amount, temporary tax exemption for some newly established enterprises, a reduction in the social tax rate, additional incentives for small businesses that export, and tax and customs benefits for technopark residents[4].

The economic impact of these benefits is reflected in :

- ✚ *operating costs are reduced, profit margins are increased;*
- ✚ *the number of workers will increase, as the light tax burden will allow the wage bill to expand;*
- ✚ *the accumulated funds are directed to investment;*
- ✚ *the opening of new businesses will accelerate;*
- ✚ *Creditworthiness increases because the reduction in tax burden creates a stable income base.*

Types of tax incentives for small businesses and their economic impact[8].

Type of tax benefit	Content	Economic impact on small businesses
Single Tax Payment (YST)	A single tax payment will be introduced for small businesses instead of multiple taxes.	The tax burden will be reduced, calculations will be simplified, and the costs of doing business will be reduced.
Tax holidays	Newly established businesses will be exempt from certain taxes for a period of time.	It will be easier to raise start-up capital, the number of new businesses will increase, and it will have a positive impact on the investment climate.
Social tax rate reduction	The amount of social tax paid by employers for small businesses will be reduced.	Hiring will be encouraged, employment will increase, and the wage bill will expand.
Benefits for export-oriented enterprises	Additional tax breaks are provided for small businesses exporting goods.	Export volumes will increase, foreign exchange earnings will increase, and competitiveness will strengthen.
Benefits for residents of technoparks and FEZs	Innovative and technological enterprises will receive tax and customs benefits.	New technologies are being introduced, innovative production is expanding, and startups are developing rapidly.
Digital tax administration (e-reporting, e-license)	Tax reporting and registration processes are carried out online.	The administrative burden is reduced, time is saved, business processes are accelerated, and transparency is increased.

Source: Prepared by the author based on analyses .

Systematically highlights the main types of tax incentives applicable to small businesses and their economic results.

First, the Single Tax Payment (STP) is one of the most important relief measures for small businesses. It combines several types of taxes into a single payment, simplifies accounting and significantly reduces operating costs. As a result, the financial stability of small businesses increases.

Second, incentives such as temporary tax exemptions reduce the financial pressure that businesses face in the early stages. They increase the ability to pool the resources needed to launch a production process, which leads to faster formation of new firms [6].

Third, the reduction in social security taxes directly contributes to increased employment. As employers' costs are reduced, they can hire more employees, which increases labor market activity.

Fourth, tax breaks for export-oriented entrepreneurs encourage access to international markets. This increases the share of small businesses in foreign trade and strengthens economic stability through foreign exchange earnings.

Fifth, tax incentives in technoparks and free economic zones are of strategic importance for innovative enterprises. Small businesses operating in such areas will have an important platform for the rapid introduction of advanced technologies into production, the commercialization of scientific research , and the development of startups.

Sixth, digital tax administration is among the most effective measures for small businesses. Online tax filing, licensing , and Obtaining permits electronically saves entrepreneurs time, reduces administrative pressure, and increases the transparency of business processes.

Basically, various forms of tax incentives ease the financial burden on small businesses, expand investment activities, increase production efficiency and ensure employment growth. Their complementary nature serves the stable and balanced development of the national economy [5].

regional indicators , then tax payments differ in different regions, because the source of income is also different.

The share of small businesses in GDP benefiting from tax incentives in 2024 varies across sectors. In agriculture, incentives cover almost all small entities , while in the service sector, tax breaks have expanded to new service segments. In industrial sectors, incentives in technoparks and free economic zones are stimulating production[8].

The interdependence of tax benefits, i.e. tax benefits:

- ✚ *increases eligibility for preferential loans;*
- ✚ *creates a favorable financial environment for startups developing in business incubators and accelerators;*
- ✚ *simplifies tax administration through digital services;*
- ✚ *expands the participation of small businesses in projects .*

However, there are a number of issues: some entrepreneurs are not sufficiently aware of the procedure for using tax incentives, some bureaucratic restrictions in tax administration remain, and the system for assessing the effectiveness of incentives is not fully developed.

CONCLUSION AND RECOMMENDATIONS

The above analysis shows that the application of tax incentives to small businesses is one of the important factors of economic growth. Tax incentives:

- ✚ *significantly stimulates entrepreneurial activity;*
- ✚ *creates new jobs;*
- ✚ *actively increases investment flows;*
- ✚ *strengthens the competitiveness of small businesses.*

The above on account take as follows we give suggestions possible : Tax from the benefits use order according to entrepreneurs for practical manuals Create . Introduce the “Tax Barometer” system that analyzes the tax burden of small businesses. Establish “Tax Benefit Advisory Centers” under local khokimiyats . Further expand and simplify digital tax services. Introduce tax holidays for innovative startups.

In conclusion, the application of tax incentives to small businesses is a decisive factor in increasing economic activity, expanding employment, stimulating new projects, and strengthening the competitiveness of the national economy. We believe that this will determine the future of the country.

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