

## MEASURES FOR BUSINESS PERFORMANCE OF ENTITIES AND THE TAXATION MECHANISM

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**Abstract:** This article describes types of business performance of entities, the criteria for determining their actions and the legal basis. The changes in the number of business entities in the country in recent years, the share of small business and private entrepreneurship in the level of employment in the regions have been analyzed. Dynamical changes in the share of business entities in the sectors of the national economy were reviewed. In addition to this, provided an analysis on theoretical basis and current situation of taxation of business entities in the tax system of the Republic of Uzbekistan. Based on the analysis, issues concerning to the taxation mechanism of business entrepreneurs were identified. With a systematic approach to the problems raised in the article, proposals have been developed to optimize the taxation of business entities.

**Keywords:** business entities, micro-firms, small businesses, individual entrepreneurs, rights of business entities, activity criteria, employment rate, taxpayers, types of taxes, taxation.

### Introduction

In many countries around the world, large-scale reforms in the tax system are being carried out as one of the important tools for effective stimulation of aggregate demand in the post-crisis development phase. At the same time, based on its role as an important driver of sustainable economic growth, a wide range of non-traditional methods of fiscal and monetary instruments to support businesses are used. In particular, in the context of post-industrial civilization, there are reforms related to the formation of a virtual mechanism based on a single information space in the taxation of small businesses in the digital business. Also, research is being conducted on the formation of software products of the single tax <sup>1</sup>mechanism, which is a conceptual direction in the development of the theory of "Single Tax" in the context of the virtual information space.

### Literature Review

Representatives of the Austrian school I. Schumpeter and F. Hayek in their scientific developments interpret the businessman as a specific social psychological type of entrepreneur<sup>2</sup>. The main thing for them is to analyze and use a variety of market opportunities, to implement innovative ideas. They see entrepreneurship not as a type of activity but by nature as a mental structure and property.

The role of business as an important part of the national economy has been studied by a number of economists in their scientific works and research. In particular, the American economist DJ Stewart Mill points out the following as characteristics of small business and entrepreneurship: small business is the starting point for the creation of many new products or services; small business will be well adapted to meet the local needs of the specialist; small business offers a variety of services that are important for the consumer to know personally<sup>3</sup>.

According to the economist L. Gurov, “Small business has the following advantages: it determines the rate of economic growth, promotes the efficient allocation of material, financial and human resources, creates jobs, and creates new jobs at a lower cost than large enterprises”<sup>4</sup>. We can see that the above authors in their research have studied the economic and social significance of the activities of business entities, the criteria of business activity and the mechanisms of taxation.

### **Research Methodology**

During the study, the methods of observation, induction and deduction, dynamic series, economic-statistical analysis and synthesis, comparison methods of studying the criteria of business entities operating in the economy of the country, the current state of the taxation mechanism and the direction of their incentives were widely used.

### **Analysis and Results**

Although there was a criterion for identifying small businesses (by network brand and number of permanent employees) in the national economy, there was no clear definition limit for medium-sized enterprises. During the transition period, measures were taken to encourage the further development of private entrepreneurship, and all previously envisaged small businesses were provided with various benefits and guarantees. The situation has now arisen with the organization of the expansion of a formerly unnecessary ‘medium’ status enterprise and a small enterprise in its former state. Therefore, before defining small business in the world, according to the Decree of the President of the Republic of Uzbekistan dated August 30, 2003, from January 1, 2004 the category of small business (business) includes the following. In particular:

According to the current legislation, small businesses are grouped as follows:

1) individual entrepreneurs;

2) in the manufacturing sector, the average annual number of employees is not more than twenty people, in the service sector and other non-production sectors, the average annual number of employees is not more than ten people, in the wholesale, retail and catering industries, microforms with an average annual number of employees of not more than five people;

3) in the following networks:

in the light, food, and building materials industries, the average annual number of employees employed is not more than two hundred;

the average annual number of employees employed in the metalworking and instrumentation, woodworking, furniture industries, as well as in other industrial and production sectors provided by the legislation, not more than one hundred people;

the average annual number of employees in the machine-building, metallurgy, fuel and energy and chemical industries, cultivation and processing of agricultural products, construction and other industries provided by the legislation, with an average annual number of employees not more than fifty people;

small enterprises with an average annual number of employees of not more than twenty-five people in science, scientific services, transport, communications, services (except insurance companies), trade and catering and other non-manufacturing industries<sup>5</sup>.

In recent years, the results of small business and private entrepreneurship as an important factor in creating new jobs in the country, increasing incomes and welfare of the population have been significant (see Table 1).

**Table 1**

**Newly Created Jobs in the Republic of Uzbekistan and the Share of Small Business and Private Entrepreneurship<sup>6</sup>**

Indicators	2014	2015	2016	2017	2018	Change (+) increase or (-) decrease
Number of newly created jobs in legal entities	411701	314262	322657	404153	551379	139678
Including:						
In small business and private entrepreneurship	302005	253546	253880	262212	363270	61265
In percentages	73,0	80,7	78,7	64,9	65,8	-7
Employed population, thousand people	12 818,4	13 058,3	13 298,4	13 520,3	13 273,1	455

Based on the data presented in Table 1, we analyze the newly created jobs in the Republic of Uzbekistan in 2014-2018 and the share of small business and private entrepreneurship in it. The number of new jobs created by legal entities in 2014 was 411,701, in 2015 - 314,262, in 2016 - 322,657, in 2017 - 404,153, in 2018 - 551,379, or in 2018 compared to 2014 139,678 new jobs were created by individuals.

The number of new jobs created by small business and private entrepreneurship was 302,005 in 2014, 253,546 in 2015, 253,880 in 2016, 262,212 in 2017, and 363,270 in 2018. In 2018, 61,265 more new jobs were created by small businesses and private entrepreneurs than in 2014.

The share of new jobs created by small businesses and private entrepreneurship in the number of new jobs created by legal entities increased by 73.0% in 2014, 80.7% in 2015, 78.7% in 2016 and 64.9% in 2017. In 2018, it was 65.8 percent. Note that in 2018, it decreased by 7 percentage points compared to 2014.

In summary, in recent years there has been a decline in the share of jobs created by small businesses and private entrepreneurs. In our opinion, the measures taken by the state to provide financial incentives for small business and private entrepreneurship have not had a significant positive impact. This is 57.3 percent of the GDP of small business in 2016-2017, respectively; 54.9; can also be seen in the decrease in the share.

**Table 2**

**The Share of Small Business and Private Entrepreneurship in Employment, in percent<sup>7</sup>**

Regions	2014	2015	2016	2017	2018
<b>Republic of Uzbekistan</b>	<b>77,6</b>	<b>77,9</b>	<b>78,2</b>	<b>78,0</b>	<b>76,3</b>
The Republic of Karakalpakstan	74,8	74,5	75,1	75,1	75,6
provinces:					
Andijon	83,7	83,8	84,4	84,2	81,7
Buxoro	78,8	78,5	78,5	78,5	76,5
Jizzakh	81,4	81,7	81,8	80,9	79,0
Kashkadarya	78,7	79,6	79,9	80,0	79,0
Navoi	60,2	60,3	60,3	59,3	56,2
Namangan	83,0	83,3	83,3	83,5	83,0
Samarkand	83,7	84,1	84,5	84,5	83,1
Surkhondaryo	79,9	80,3	80,9	80,9	79,4
Sirdaryo	79,4	79,4	79,4	78,8	77,4
Toshkent Region	76,3	76,8	76,9	75,1	73,2
Fergana	80,0	80,3	80,5	80,6	78,9
Khorezm	82,1	82,4	82,8	82,2	80,6
Tashkent City	57,6	57,0	56,6	56,7	53,1

Table 2 provides an analysis of the share of small business and private entrepreneurship in employment in the Republic of Uzbekistan and its regions in 2014-2018. Looking at the data analysis, the share of small business and private entrepreneurship in the country's employment rate was 77.6% in 2014, 77.9% in 2015, 78.2% in 2016, 78% in 2017 and 76.3% in 2018. In 2018, compared to 2014, the share of the industry in employment decreased by 1.3 percentage points.

We will continue the analysis of the share of small business and private entrepreneurship in employment by region. In the analysis in this direction, we try to evaluate the regions on the basis of 2-stage criteria. In doing so, we analyze the indicators based on the following factors.

First, the share of small business and private entrepreneurship in employment is at the Republican level and above. This includes regions where the indicators for 2014-2018 are not lower than the national level. We divide the regions that have reached this level into two categories.

The first category includes Andijan region (83.7; 83.8; 84.4; 84.2; 81.7%), Jizzakh region (81.4%) in 2014-2018, the share of small business and private entrepreneurship is 80% and more.; 81.7; 81.8; 80.9; 79.0%), Namangan region (83.0; 83.3; 83.3; 83.5; 83.0%), Samarkand region (83.7; 84.1; 84.5; 84.5; 83.1%), Fergana region (80.0; 80.3; 80.5; 80.6; 78.9%) and Khorezm region (82.1; 82.4; 82.8; 82.2; 80.6). It should be noted that in Jizzakh and Fergana regions in 2018 there was a decrease from the average.

The second category includes regions with a share of small business and private entrepreneurship in 2014-2018, ranging from 75.1% (Republican level) to 80%. These are Bukhara region (78.8; 78.5; 78.5; 78.5; 76.5%), Kashkadarya region (78.7; 79.6; 79.9; 80.0; 79.0%), Surkhondaryo region (79.9; 80.3; 80.9; 80.9; 79.4%), Syrdaryo region (79.4; 79.4; 79.4; 78.8; 77.4%).

Secondly, regions where the share of small business and private entrepreneurship in employment is lower than the national level. According to its indicators, this region includes 4 regions of the country. These are the Republic of Karakalpakstan (74.8; 74.5; 75.1; 75.1; 75.6%), Navoi region (60.2; 60.3; 60.3; 59.3; 56.2%), Tashkent region (76.3; 76.8; 76.9; 75.1; 73.2%) and the city of Tashkent (57.6; 57.0; 56.6; 56.7; 53.1%).

In a nutshell, it can be said that the level of development of small business and private entrepreneurship in the regions is not the same. Because of the differences in the level of socio-economic development of the regions, small businesses and private entrepreneurship in these areas are not fully aware of the benefits provided.

The results of the analysis show that the share of small business and private entrepreneurship in employment is assessed by the high share of large taxpayers in the regional economy and employment in regions below the national level.

**Table 3**

**The Growth Dynamics of small businesses share in the Uzbekistan Economy, in percentages<sup>8</sup>.**

Indicators	2014	2015	2016	2017	2018
Industry	36,8	40,6	45,3	41,2	37,4
Agriculture					
Investment	35,4	35,8	37,0	34,8	38,0
Construction	69,5	66,7	66,9	64,8	75,5
Trade	86,3	87,1	89,6	88,4	75,6
Service	56,7	57,8	61,4	58,3	55,2
Shipping	50,9	53,7	54,2	53,7	55,5
Passenger transportation	85,5	87,3	88,8	90,1	89,6
Employment	77,6	77,9	78,2	78,0	76,3
Export	19,8	27,0	26,0	27,2	24,1
Import	45,4	44,5	46,8	50,2	53,6

Continuing the analysis based on the data in Table 3, this table analyzes the growth dynamics of the share of small businesses in sectors of the economy in 2014-2017. These analyzes show that the share of small businesses in the industry was 36.8% in 2014 and by 2018 it was 37.4% or decreased by 1.3 percentage points.

The share of small businesses in the investment sector amounted to 35.4% in 2014 and 38.0% in 2018, an increase of 2.6 percentage points in the analyzed years. Among the leading industries in this area, the passenger transport sector grew by 85.5% in 2014, 89.6% or 4.1 percentage points in 2018, the trade sector grew by 86.3% in 2014, 75.6% in 2018, or Decreased by 10.7 percentage points.

Employment in small business and private entrepreneurship decreased by 1.3 percentage points from 77.6% in 2014 to 76.3% in 2018. The share of the construction sector increased from 69.5% in 2014 to 75.5% in 2018, or by 6 percentage points. The lowest share of small businesses in the economy is in the export sector. The share of the industry in exports in 2014 was 19.8%, in 2018 it was 24.1% or increased by 4.3 percentage points. The share of small business in the import sector was 45.4% in 2014 and 53.6% in 2018, an increase of 8.2 percentage points in the analyzed years.

### Conclusion

In summary, the focus in the years under review has been positive as a result of the focus on small business and private entrepreneurship, but it should also be noted that the participation of small business and private entrepreneurship in some sectors and industries has declined. It is worth noting that the reduction of the tax burden in order to stimulate the activities of small businesses and private entrepreneurship through taxes has not been the same.

It is advisable to introduce modern market mechanisms for small business and private entrepreneurship.

The evolution of scientific views on the single tax theory requires the deepening of reforms related to the effective realization of the main function of these taxes. The single tax system is not the stratification of the tax burden by industry, but the unification of taxes, the creation of favorable financial opportunities for small businesses through the simplification of tax administration, the minimization of transaction costs.

In the current complex tax administration of the simplified taxation procedure, it is necessary to include in the category of honest and dishonest taxpayers who violate or constantly adhere to tax discipline under the influence of objective and subjective factors. This criterion is based on the degradation of tax payment management, and the tax control system should be improved on the basis of retrospective data on their behavior. For honest taxpayers, it is advisable to limit tax control in the form of a chamber control system in tax management.

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- <sup>6</sup> Prepared on the basis of the report of the State Statistics Committee of the Republic of Uzbekistan.
- <sup>7</sup> Prepared on the basis of the report of the State Statistics Committee of the Republic of Uzbekistan.
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