

## **Improving the Effectiveness of Taxes in the Development of Small Business and Private Entrepreneurship**

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**Abstract:** This article explores the improvement of the tax mechanism for the development of small businesses and private entrepreneurial entities, providing practical recommendations and conclusions for supporting entrepreneurial activities based on global experience. The article analyzes the impact of tax policy, incentives, and the competitive environment on entrepreneurial activities. The study aims to enhance the effectiveness of tax policy for the development of small and medium-sized businesses and improve the entrepreneurial environment.

**Keywords:** Small business, entrepreneurship, business environment, tax policy, incentives, stimulation, competition, support.

Entrepreneurship development is one of the key factors for the success of any economy. Entrepreneurship, especially small and medium-sized businesses, significantly contributes to job creation, improving competitiveness, and the introduction of new innovations and technologies. Taxes play a crucial role in this process. Tax policy should primarily be used to support and stimulate the activities of entrepreneurs.

Improving the business environment through the tax system, encouraging production, and avoiding negative impacts on economic growth requires the implementation of a set of measures. This article discusses methods to improve the effectiveness of taxes in fostering entrepreneurship and evaluates their efficiency. In our country, a significant focus is placed on modernizing industrial enterprises and equipping them with new technologies to make them competitive and capable of producing export-oriented products. As a result, demand for products in both domestic and foreign markets is expected to rise.

One of the key factors for the development of entrepreneurship in our country is reducing the tax burden in business. In a market economy with high risks, one of the strongest tools for fostering investment and innovation is the system of tax incentives. In recent years, substantial efforts have been made to develop small business and entrepreneurship. As an example, within the framework of the Tax Policy Concept, new methods of tax administration based on modern information technologies have been explored, aimed at reducing human intervention and improving efficiency. The introduction of these new tax administration methods is expected to create broader opportunities for business entities.

In many developed countries, there is a focus on reducing the tax burden, streamlining tax types, lowering tax rates, and using information technologies to develop modern electronic systems for tax payments and reporting. Special attention is paid to creating a favorable investment and business environment for organizing and managing entrepreneurship. In recent years, the

creation of the most favorable tax environment, optimizing tax burden, simplifying tax collection, increasing the transparency of tax administration, promoting innovation, and ensuring economic growth through effective fiscal policy have become key areas of research.

Since independence, our country has been through a complex path of tax system development, with reforms steadily improving over time. In the early years of independence, the tax system aimed at reducing budget deficits and strengthening the revenue base, with high tax rates applied to business income. In the subsequent stages of tax reforms, there was a shift towards encouraging enterprises to increase production, support exporting companies, and attract foreign investment.

Improving tax policy, simplifying tax administration, reducing tax burden, enhancing the stimulating function of taxes, and promoting small businesses are among the most important issues today. In developed countries, small businesses are considered special entities for state regulation. This approach reflects the specific characteristics of taxing small businesses and defines their social significance and role in economic development.

The rapid development of small business and private entrepreneurship, which is a key factor in shaping the middle class, stabilizing the economy, creating new jobs, and increasing income, is supported by the creation of a favorable business environment and reliable legal guarantees in Uzbekistan.

From global experience, it is known that small business entities play a crucial role in shaping the entrepreneurial environment in the country, ensuring employment, and acting as a primary source in the development of industries such as construction and manufacturing.

A key finding from global experience is that effective use of the tax system is critical for the development of entrepreneurship. The use of taxes in the current tax system should be studied more comprehensively, including the categorization of taxes and their effective application. It is particularly important to study how to tax income from entrepreneurship activities and how taxes affect the development of small businesses, especially for self-employed individuals and those not registered as entrepreneurs.

### **Recommendations:**

1. **Simplification and optimization of the tax system:** The tax system plays an essential role in solving economic problems. The simpler and more streamlined the business environment, the more favorable it becomes for entrepreneurs. Simplification of taxes will help create a more convenient environment for small and medium-sized businesses.
2. **Expansion of tax incentives and stimulation mechanisms:** Tax incentives are important for the development of small business and private entrepreneurship. They provide entrepreneurs with crucial financial resources to enhance production, create jobs, and increase competitiveness.
3. **Tax policy and economic stability:** The effectiveness of tax policy directly defines the working environment for entrepreneurs. Economic stability, growth, and development heavily depend on a well-designed tax policy. The payment process and relationships with state authorities help entrepreneurs in making economic decisions.
4. **Promoting competition and innovation:** Tax policy should be aimed at promoting competition. Increased competitiveness allows entrepreneurs to enter new markets and develop new products and services, which contributes to economic growth.

**Conclusion:** In order to enhance the effectiveness of taxes in entrepreneurship development, it is essential to simplify the tax system, implement broader tax incentives, introduce favorable tax policies, and improve the work of tax inspection bodies. Tax incentives play a crucial role in the development of entrepreneurial base, promoting new technologies, and encouraging investment. These measures will contribute to the growth of small and medium-sized businesses, economic

stability, and job creation. Effective management of taxes, as a key tool for implementing economic policy, will create favorable conditions for entrepreneurs and contribute significantly to overall economic growth.

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