TAXATION OF SMALL BUSINESS AND ENTREPRENEURSHIP ENTITIES: FOREIGN PRACTICES

Turanboyev Boburjon Qodirjon o‘g‘li
boburturonboyev@gmail.com
Lecturer, Department of International Tourism and
Economics, Kokand University

ABSTRACT

In the process of improving the taxation of small business and entrepreneurship entities, it is important to analytically study the practical experiences of foreign countries. By analyzing tax systems, incentives, and support measures aimed at promoting small businesses in developed countries, and by applying these practices, important insights can be gained. This study develops specific proposals and recommendations for improving the tax system based on international experience, which can contribute to further liberalization of the national economy and support small business development.

Keywords: *small business entities, tax, tax incentive, taxation, tax system.*

INTRODUCTION

In today's era of globalization, where economic competition among countries is intensifying, supporting small businesses, facilitating their operations, and simplifying the taxation system remain among the key strategic priorities. Global experience shows that the growth and development of small businesses largely depend on favorable tax policies and convenient tax procedures applied to them.

Some developed countries have introduced special tax regimes for small business entities and, by providing incentives, have succeeded in increasing economic activity. In countries such as the USA, Germany, Turkey, Poland, and Singapore, taxation mechanisms for small businesses are well established and can serve as practical models for Uzbekistan as well.

This study analyzes the taxation practices for small business entities in various countries, examining their advantages and disadvantages. Based on international experience, it aims to develop practical recommendations for improving the tax system in Uzbekistan.

MAIN PART

Analyzing the foreign practices of taxing small businesses and studying the tax systems and incentives used in various countries is essential for improving national tax policy. Below is an analysis of tax systems, incentives, and support measures for small businesses in developed countries.

Corporate tax rates and privileges for small businesses differ significantly among developed countries. According to the 2024 OECD data, the average corporate tax rate in EU countries is 21.27%, and across all OECD countries, it stands at 23.85%. Some countries have introduced significantly lower tax rates for small business support. For instance, in the UK, the corporate tax rate for small businesses with annual net income below £50,000 is only 19%. Similarly, countries like Canada, Ireland, and Japan offer tax benefits, simplified reporting formats, and reduced audit requirements for small businesses. These measures are vital in ensuring the growth and competitiveness of small businesses.

According to the 2021 OECD database, 33 out of 38 OECD members have introduced preferential tax regimes for R&D (research and development) expenditures by business entities. These incentives account for an average of 55% of R&D support in OECD countries, highlighting the growing importance of tax tools in promoting innovation. For example, France's tax credit program allows companies to deduct 30% of R&D expenses directly from their annual tax liabilities. This mechanism benefits not only large corporations but also small and medium-sized enterprises, promoting technological innovation and scientific capacity.

Many developed countries have implemented simplified tax regimes for small businesses. These systems regulate the allocation of privileges based on annual income or number of employees. For example, in Poland, small enterprises below a set income threshold can utilize a simplified tax regime. These businesses enjoy reduced income tax, VAT, and social insurance contributions with lighter reporting obligations. Such regimes reduce the tax burden, improve financial discipline, and encourage small businesses to join the formal economy. Additionally, they reduce administrative costs for tax authorities and improve the ease of doing business.

Studies indicate that tax incentives can positively influence small business development, but their effectiveness depends on a country's economic and institutional conditions. OECD analyses show that while incentives can stimulate investment and innovation, poorly designed incentives may reduce the tax base.

CONCLUSION

An analysis of international experiences shows that tax incentives and simplified regimes aimed at supporting small businesses have a positive effect on their development. However, for these benefits and regimes to be effective, their implementation must align with the country's economic and institutional conditions. Therefore, incorporating international practices and adapting them to local realities is crucial when formulating national tax policy.

Based on the analytical results of the research, the following recommendations are proposed:

Tax relief should be tailored regionally, considering the economic potential of regions and the share of small businesses;

Drawing from OECD experience, tax incentives should be introduced in Uzbekistan for R&D (research and development) activities conducted by small business entities;

A systematic monitoring mechanism should be implemented to assess the economic impact of tax incentives, evaluating the positive outcomes achieved through them.

If transparency and stability in the tax system are ensured, small businesses will be able to achieve growth. Therefore, implementing proposals based on advanced international practices will be a key factor in expanding the activities of small business entities and ensuring the sustainability of economic growth.

References:

1. Bird, R., & Zolt, E. (2014). Tax policy in emerging economies: The role of small business taxation. Journal of Public Economics, 118, 104–116.
2. Schneider, F. (2015). The shadow economy and taxation policies: A global perspective. Cambridge: Cambridge University Press.
3. Qodirjon o‘g‘li, T. B. (2024). THE IMPORTANCE OF INCREASING THE TAX IMPACT OF USING WATER RESOURCES. Education, Science and Innovation Ideas in the World, 37(1), 151–153.
4. Turanboyev, B. (2024). ANALYSIS OF THE PROSPECTS FOR DEVELOPING STOCK TRADING IN UZBEKISTAN’S CAPITAL MARKET. Integration of Economy and Education in the 21st Century, 2(2), 5–8.
5. Turanboyev, B. (2024). WAYS TO IMPROVE THE TAXATION OF E-COMMERCE ACTIVITIES BASED ON ADVANCED INTERNATIONAL EXPERIENCE. Integration of Economy and Education in the 21st Century, 2(2), 1–4.
6. https://taxfoundation.org/
7. https://www.oecd.org/