

Taxation of individual entrepreneurship in Uzbekistan: practice and problems

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The policy aimed at the accelerated development of private entrepreneurship in the economy of Uzbekistan is yielding positive results. In practice, systematic measures are being taken to further intensify entrepreneurship and create favorable conditions for business development. As a result, the share of income from their activities in the structure of the population's income is constantly increasing due to the rapid development of the activities of private businesses. This process necessitates the need to improve the existing tax system accordingly. First of all, it is necessary to form a tax system that is understandable to the entrepreneur and to ensure that taxes are not excessive.

In the formation of the tax system of Uzbekistan, almost no changes were made to the system of taxation of individuals engaged in entrepreneurial activities, mainly tax rates were changed. The widespread development of private entrepreneurship in the country has necessitated a radical improvement in the system of taxation of individuals engaged in entrepreneurial activities, not limited to changes in tax rates or some other elements.

Individuals engaged in entrepreneurial activities in Uzbekistan are persons who are duly registered and are engaged in any type of activity with the aim of making a profit.

Article 31 of the Tax Code of the Republic of Uzbekistan defines the concept of individual entrepreneur as follows: "An individual entrepreneur is an individual who is duly registered and carries out business activities without forming a legal entity".

In accordance with the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated January 7, 2011 No 6 "On approval of the list of activities that can be carried out by individual entrepreneurs without forming a legal entity" and amendments to it, given the list of activities, may be carried out by individual entrepreneurs. Today, there are 85 such activities. This means that individuals can register in the prescribed manner for the 85 types of activities listed in the above resolution and earn income by engaging in entrepreneurial activities. These types of activities are divided into 4 major groups (Figure 1).

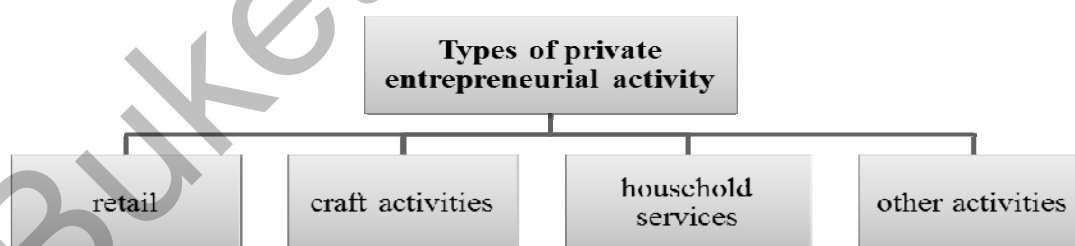


Figure 1. Types of activities that individual entrepreneurs can engage in without forming a legal entity

The tax legislation of Uzbekistan reflects the procedures for taxation of individuals engaged in entrepreneurial activities and their specific features.

The current procedure and features of taxation of individuals engaged in entrepreneurial activity can be expressed as follows (Table 1).

Table 1

Procedure for payment of taxes by individual entrepreneurs (IE) in the Republic of Uzbekistan (from January 1, 2020)

Sales revenue	Type of tax	Tax rate	Application of taxes for individual entrepreneurs
Up to 100 million soums	Income tax	in a fixed amount	A fixed amount of tax is paid no later than the 15th of each month in the amount determined for the type of activity.
		12 %	An individual entrepreneur may pay income tax on the basis of a declaration of total annual income.
From 100 million to 1 billion soums	Turnover tax	4 %	If the income from the sale of goods (services) during the calendar year exceeds 100 million soums, it will be transferred to turnover tax.
More than 1 billion soums	Value added tax	15 %	If the income from the sale of goods (services) in a calendar year exceeds 1 billion soums, it is subject to value added tax and profit tax.
	Profit tax	15 %	

It can be seen from the current procedure and features of taxation of individuals engaged in entrepreneurial activities that the tax liabilities increase in line with the increase in income from the sale of goods (services). The procedure for taxation of individual entrepreneurs is consistent with the tax obligations of legal entities.

Analyses show that recent changes in the tax regime for individual entrepreneurs have led to an increase in their tax liabilities.

In our opinion, an individual entrepreneur, like other individuals, should pay income tax and use the tax benefits provided to them. The current tax legislation does not allow individual entrepreneurs to enjoy the same tax benefits as other persons, even if individual entrepreneurs are taxed to a certain extent, taking into account their income.

In order to reduce the size of the shadow economy in the country's economy, taxation of total income of individuals, including the income of individual entrepreneurs on the basis of a system of full general declaration should be identified as a priority in this regard. At the same time, the formation of a database on the costs of individuals through the introduction of digital technologies and monitoring compliance with their income creates an obligation for them to fully disclose their income.

Взаимосвязь национальной программы «Цифровая экономика» с человеческим капиталом и ее влияние на экономический рост

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Аннотация: В современных условиях для любой страны мира едва ли возможно стать конкурентоспособной на мировой арене, обеспечить эффективное развитие собственной экономики во всех сферах без достаточного уровня развития цифровых технологий. В статье анализируется эффект от расходов по национальной программе «Цифровая экономика в Российской Федерации» на рост ВВП через призму увеличения расходов на человеческий капитал.

Ключевые слова: человеческий капитал, цифровая экономика, национальные проекты