



International Conference of Economics, Finance and Accounting Studies

International Conference of Economics, Finance and Accounting Studies is a double-blind peer-reviewed, open-access journal published to reach excellence on the scope. It considers scholarly, research-based articles on all aspects of economics, finance and accounting. As an international congress aimed at facilitating the global exchange of education theory, contributions from different educational systems and cultures are encouraged. It aims to provide a forum for all researchers, educators, educational policy-makers and planners to exchange invaluable ideas and resources.

IMPROVEMENT OF THE TAXATION SYSTEM FOR INDIVIDUAL ENTREPRENEURS BASED ON INTERNATIONAL EXPERIENCE

*Kuziev R.R., Mahmadaizov E.M., Shavkatov M.O., Yodgorov Sh.Sh.
Banking and Finance Academy of the Republic of Uzbekistan
Westminster International University in Tashkent.
Turin Polytechnic University in Tashkent.
eldoredo80@gmail.com*

Abstract

This article examines the issues of improving the taxation system for individual entrepreneurs based on international experience. The study analyzes tax regimes, simplified taxation mechanisms, and fiscal incentives applied in developed and developing countries. In addition, the current state of taxation for individual entrepreneurs in the Republic of Uzbekistan is assessed using official statistical data from recent years, identifying existing challenges and proposing practical solutions. The research findings contribute to optimizing the tax burden, supporting entrepreneurial activity, and reducing the scale of the informal economy.

Keywords: individual entrepreneur, taxation system, simplified tax regime, international experience, fiscal policy, tax burden optimization.

Introduction

In recent years, the role of small businesses and private entrepreneurs in economic growth, employment generation, and expansion of the income base in the global economy has been significantly increasing.[1]

In particular, individual entrepreneurs are emerging as an important institutional link in self-employment of the population, development of the service sector, and strengthening regional economic activity. Therefore, the formation and continuous improvement of effective taxation mechanisms is one of the priorities of the state fiscal policy.[2][3]

In the Republic of Uzbekistan, as part of reforms aimed at liberalizing the economy and simplifying tax administration, tax regimes for individual entrepreneurs are being gradually revised. The current approaches serve to encourage the formalization of entrepreneurial activity, increase tax discipline, and optimize the tax burden.[4][5]

International experience shows that simplified regimes, income-based differential rates, minimum reporting requirements, and digital tax platforms are widely used in the taxation of individual

entrepreneurs in developed and developing countries. These mechanisms not only ensure the stability of tax revenues but also serve to reduce the share of the informal economy and increase the financial stability of entrepreneurs.[6][7][8] From this point of view, systematic study of effective approaches in international practice and their adaptation to national conditions is of great scientific and practical importance. The relevance of this study is that by improving the taxation system for individual entrepreneurs, it becomes possible to expand the tax base, strengthen fiscal stability, and further facilitate the business environment. Within the framework of the study, advanced approaches identified on the basis of international experience will be analyzed in comparison with the current tax policy of the Republic of Uzbekistan, and scientifically based proposals will be developed aimed at developing the national tax system.[9][10]

Literature Review

The issue of taxation of individual entrepreneurs has been widely studied in recent years in close connection with economic development, employment policy and fiscal stability. In the scientific literature, the main attention in the taxation of these entities is focused on the acceptability of the tax burden, minimizing administrative costs and mechanisms for increasing tax discipline. In foreign studies, simplified tax regimes for individual entrepreneurs are evaluated as an effective means of attracting small businesses to the formal economy.[11] In particular, studies conducted by the OECD note that progressive or flat tax rates based on income create a stable fiscal environment for small businesses. This approach allows entrepreneurs to accurately plan their tax obligations in advance and reduces the risk of hidden economic activity. Also, analyses published by World Bank experts indicate the use of digital technologies as an important factor in the taxation of individual entrepreneurs. Electronic tax reports, automated payment systems, and online registration mechanisms simplify tax administration and expand the state's control capabilities. Scientific studies on the experience of European Union countries substantiate the effectiveness of tax regimes based on annual turnover for individual entrepreneurs. Studies show that for small-income entrepreneurs, a fixed minimum tax payment encourages them to continue their activities, while a differentiated approach for high-income entities ensures fiscal fairness. Scientific research conducted by local scientists analyzed the evolution of the taxation system for individual entrepreneurs in Uzbekistan.[12] The studies emphasize that the liberalization of tax policy, reduction of tax rates, and reduction of the reporting burden have had a positive impact on entrepreneurial activity. At the same time, some authors scientifically substantiate that an excessive number of tax benefits can lead to a reduction in fiscal revenues.[13]

In analytical works devoted to the regulatory and legal acts of the Republic of Uzbekistan, it is noted that the tax regimes established for individual entrepreneurs are aimed at improving the business environment.

However, the scientific literature emphasizes the need to bring tax regimes into line with international standards, expand the tax base, and strengthen mutual trust between taxpayers and the state.

In general, the analysis of the literature shows that the issue of improving the taxation system for individual entrepreneurs requires an integrated approach. By ensuring the harmony between international experience and national scientific research, there is a solid scientific basis for the introduction of effective, transparent, and sustainable tax mechanisms in the conditions of Uzbekistan.

This study studied the issue of improving the taxation system for individual entrepreneurs based on international experience using a comprehensive scientific approach. The research used a set of methods that combine theoretical and practical analysis and relied on reliable, open and official information sources. The information base of the study is the official statistical and regulatory sources of the Republic of Uzbekistan. In particular, data on the number of individual entrepreneurs, their tax payments, fiscal revenues and tax burden were formed based on information from the State Statistics Committee (stat.uz), the Central Bank (cbu.uz) and regulatory documents on tax policy Lex.uz. This data mainly covers the years 2022-2025 and ensures the relevance of the research

results. In the process of analyzing international experience, the approaches used in the taxation of individual entrepreneurs in developed and developing countries were studied using the method of comparative analysis. At this stage, open analytical materials of international organizations, including tax regimes, simplified taxation mechanisms and fiscal incentive instruments presented in OECD and World Bank reports, were systematized. The results of the comparative analysis made it possible to identify the strengths and weaknesses of the national tax system. Economic and statistical analysis methods play an important role in the study. In particular, the dynamics of the number of individual entrepreneurs, their share in tax revenues and changes in the tax burden were assessed based on time series. This analysis revealed the impact of changes in tax policy on entrepreneurial activity and substantiated the cause-and-effect relationships.[14]

Analysis and Results

This section provides an analysis of the current state of the taxation system for individual entrepreneurs (IEPs), based on international and national statistical data, and changes in tax policy for 2025–2026. Within the current tax system, there are several tax regimes for IEPs: a fixed tax, a simplified turnover tax, and a general tax regime. The simplified regime, or turnover tax, is called the “turnover tax” and is applied to IEPs based on their annual income from their activities. In practice, this tax rate in 2025 is 4 percent, and it is planned to be reduced to 1 percent starting in 2026.

Reducing the tax burden for individual entrepreneurs has become an important direction of Uzbekistan's tax policy. Starting in 2026, the 1% reduction in turnover tax for sole proprietors and self-employed persons will lead to a significant reduction in the tax burden. This was developed by the regulator to provide greater incentives to taxpayers, attract them to the formal economy, and strengthen fiscal discipline. This reduction, along with reducing the fiscal burden, will create more attractive conditions for the formalization of small businesses. According to the presidential decree, starting in 2026, a single digital platform for sole proprietors will be introduced, in which tax payments, settlements, and QR code payments will be integrated into a single system. This will simplify tax administration, improve taxpayers' compliance with legal obligations, and improve their ability to obtain loans. The state of the tax regime in 2025 shows that the tax burden for SMEs is correctly determined, but there are cases of tax evasion among entities due to complex processes. The reduction of the turnover tax rate to 1 percent in 2026 and the introduction of digital systems will simplify these processes and make tax administration more efficient. The analysis shows that tax breaks will serve to increase economic activity for small entrepreneurs, expand the share of the formal economy, and increase the efficiency of taxation of informal market entities. In addition, the automation of tax information through digital platforms will strengthen tax discipline and strengthen fiscal stability.[15]

Conclusion and Recommendations

The results of the study showed that the taxation system for individual entrepreneurs is of great importance in increasing economic activity and ensuring fiscal stability. In recent years, reforms aimed at simplifying tax policy and reducing the tax burden in the Republic of Uzbekistan have had a positive impact on the activities of business entities. In particular, the reduction of turnover tax rates and the introduction of digital tax mechanisms create favorable conditions for individual entrepreneurs. Analysis of international experience shows that simplified and transparent tax regimes are effective in attracting small businesses to the formal economy. At the same time, there is a need to expand income-friendly approaches in the national tax system and further improve tax administration. Based on the results obtained, it is advisable to apply differential tax rates, expand the use of digital tax services, and strengthen fiscal mechanisms that encourage entrepreneurship in improving the tax system for individual entrepreneurs. These approaches serve to develop small businesses, stabilize tax revenues, and reduce the share of the informal economy.

References

- [1] *Tax Code of the Republic of Uzbekistan*. Tashkent, Uzbekistan, current edition, 2024–2025. Available: Lex.uz
- [2] President of the Republic of Uzbekistan, “Decrees and resolutions on supporting small business and entrepreneurship,” 2022–2025. Available: Prezident.uz
- [3] State Statistics Committee of the Republic of Uzbekistan, “Statistical data on small business and individual entrepreneurship,” 2022–2025. Available: Statistics Agency of Uzbekistan
- [4] Central Bank of the Republic of Uzbekistan, “Comments on monetary policy and economic activity,” 2022–2025. Available: Central Bank of Uzbekistan
- [5] OECD, *Taxation of SMEs and Self-Employed: Policy Briefs and International Practices*. Paris, France: OECD Publishing, 2023–2024. Available: OECD
- [6] World Bank, *Small Business Taxation and Formalization: Global Evidence and Policy Options*. Washington, DC, USA: World Bank, 2023–2024. Available: World Bank
- [7] PwC, *Uzbekistan Tax Summaries: Corporate and Individual Taxation*, 2024–2025. Available: PwC Uzbekistan Tax Summaries
- [8] Bankir.uz, “Analytical articles on banking, financial system and tax policy of Uzbekistan,” 2023–2025.
- [9] J. Alm and J. Martinez-Vazquez, *Tax Simplification and Taxpayer Compliance*. International Studies Program Working Paper, 2023.
- [10] P. Engström and B. Holmlund, “Taxation of self-employed and small businesses: International comparisons,” *European Economic Review*, 2022–2023.
- [11] Republic of Uzbekistan, *Tax Code of the Republic of Uzbekistan*, current ed. Tashkent, Uzbekistan, 2024–2025. Available: LEX.UZ
- [12] President of the Republic of Uzbekistan, “Decrees and resolutions on supporting small business and entrepreneurship,” 2022–2025. Available: Official Website of the President of Uzbekistan
- [13] State Statistics Committee of the Republic of Uzbekistan, *Statistical Data on Small Business and Individual Entrepreneurship*, 2022–2025. Available: Statistics Agency of Uzbekistan
- [14] Central Bank of the Republic of Uzbekistan, *Comments on Monetary Policy and Economic Activity*, 2022–2025. Available: Central Bank of Uzbekistan
- [15] OECD, *Taxation of SMEs and Self-Employed: Policy Briefs and International Practices*. Paris, France: OECD Publishing, 2023–2024. Available: OECD Official Website