

## ANALYSIS OF THE CURRENT STATE OF TAXATION OF INDIVIDUAL ENTREPRENEURS AND SELF-EMPLOYED PERSONS IN UZBEKISTAN

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### Abstract

The article covers the analysis of the work carried out in streamlining, supporting and granting benefits to individual entrepreneurs and self-employed persons in order to ensure the employment of the population and to attract them widely to entrepreneurial activities, reforms carried out to increase the scale of functioning and newly established individual entrepreneurs and self-employed persons.

**Keywords:** individual entrepreneur, self-employed persons, conduct of entrepreneurial activity, support of entrepreneurship, profit tax, turnover tax and income tax from individuals.

### Introduction

In recent years, large-scale work has been carried out in our country in the field of developing entrepreneurship and creating a favorable environment for doing business, strengthening legal guarantees for the protection of the legitimate interests of entrepreneurs.

According to the professor B.Toshmurodova, the tax policy pursued in our country was mainly focused on maintaining macroeconomic stability. However, at the present stage of the transition to market relations, it is necessary to focus on supporting entrepreneurship in microdistrict, and not solely on macroeconomic policy. After all, the financial stability achieved in the microdistrict ultimately ensures macroeconomic stability<sup>1</sup>.

In this regard, the president of our country Sh. Mirziyoyev appeal to the Supreme Assembly for the development of our country in 2020 and the next 5 years, he said that "we are mobilizing all our opportunities for the broad development of entrepreneurship and the creation of new conditions for this sphere"<sup>2</sup> - what they argue is a clear proof of this.

At the initiative of the president of our country, the self-employment of citizens and their areas of activity were established in the legislation in order to ensure the employment of the population, to attract them widely to business activities.

Individuals who independently carry out labor activities to provide services to individuals and legal entities, perform work, are self-employed citizens who are not registered as individual entrepreneurs and do not use the labor of hired employees.

The income of self-employed persons as a result of labor activity in accordance with the tax legislation of the Republic of Uzbekistan is not included in the total income of individuals.

On the basis of Social tax amounts paid by self-employed persons in the prescribed amount, their

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<sup>1</sup> Toshmurodova B.E. "Iqtisodiy taraqqiyotga erishishda soliqlardan samarali foydalanish": i.f.d ilmiy darajasini olish uchun yozilgan dis. avtoreferati. – Toshkent, 2007. – 32 b

<sup>2</sup> O'zbekiston Respublikasi Prezidenti Sh.Mirziyoyevning Oliy Majlisga yo'llagan Murojaatnomasi (29.12.2020 yil)

seniority is taken into account. In this case, self-employed persons use payment terminals for settlements by means of control and cash machines and bank plastic cards in the manner prescribed by law, and can open accounts in commercial banks<sup>3</sup>.

It is known from world experience that it is important to use the handle of taxes wisely for the development of the activities of business entities in the country.

In order to effectively use this or that tax system, it is advisable to study their current importance, the categorization of taxes, more broadly. At this point, it is important to research the issues of taxation of income from entrepreneurial activity of individual entrepreneurs who do not have the status of a legal entity and develop the activities of these entities under the influence of taxes.

Based on the changes and additions established in the tax legislation, individual entrepreneur (IE) pay taxes under the following procedures.

I. Individual entrepreneurs whose income from the realization of goods (services) does not exceed one hundred million rubles in a calendar year can choose to pay income tax on their income in a strictly defined amount or income tax (at a rate of 12%) levied on individuals by submitting a declaration to the tax authority.

That is, an individual entrepreneur can pay income tax by filing a declaration with the Tax Authority, based on the amount of income he received in real without paying a strictly defined tax on the same amount, whether or not he receives income from entrepreneurial activity.

II. During the tax period, individual entrepreneurs whose income from the realization of goods (services) exceeds one hundred million rubles, but up to one billion rubles, pay the tax on turnover.

An individual entrepreneur has the right to voluntarily switch to paying a profit tax and Value-Added Tax (VAT). Yachts voluntarily transferred to the payment of VAT and profit tax, their total income from the realization of goods (services) at the end of the current tax period amounted to **1 billion**. shall be entitled to re-transfer after at least 12 months to pay the turnover tax if not exceeding the sum.

III. The total income from the realization of goods (services) during the tax period is 1 billion. yachts that exceed the sum, including newly registered yachts, will switch to paying VAT and profit tax from the 1st of the month following the month of such an increase.

As noted above, since 2020, yachts can pay income tax from individuals on the basis of the declaration. Income tax payment on the basis of the declaration is the payment of their taxes, minus their expenses, based on the amount of income they received in real without paying a strictly defined tax of the same amount, whether or not they receive income.

Focusing on the features of payment of income tax from individuals in a strictly defined amount by individual entrepreneurs (Table 1).

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<sup>3</sup> O‘zbekiston Respublikasi Vazirlar Mahkamasining 2020 yil 23 dekabrda 806-son qarori.

**Table 1. Features of payment of income tax for a strictly fixed amount by individual entrepreneurs**

№	Individual entrepreneur:	Tax is paid:
1.	In the case of dealing with several types of activity	Separately for each type of activity
2.	In case of carrying out entrepreneurial activity in a place that has not been registered with the state	At the highest rate of two: - where registered; - where the activity is actually carried out
3.	In the case of a disabled person of Group I or II	Regardless of the type of activity and the place of its implementation, it pays 50% of the strictly defined amount, but not more than 50% of the amount of the base calculation
4.	In the event that the craft activity is engaged in the production and realization of products (goods, services) (when the " Craftsman " is a member of the association)	Does not pay taxes on this type of activity
5.	When renting out property	Income tax from individuals at a rate of 12%, taking into account tax benefits and the procedure for their application, according to Article 380 of the tax code

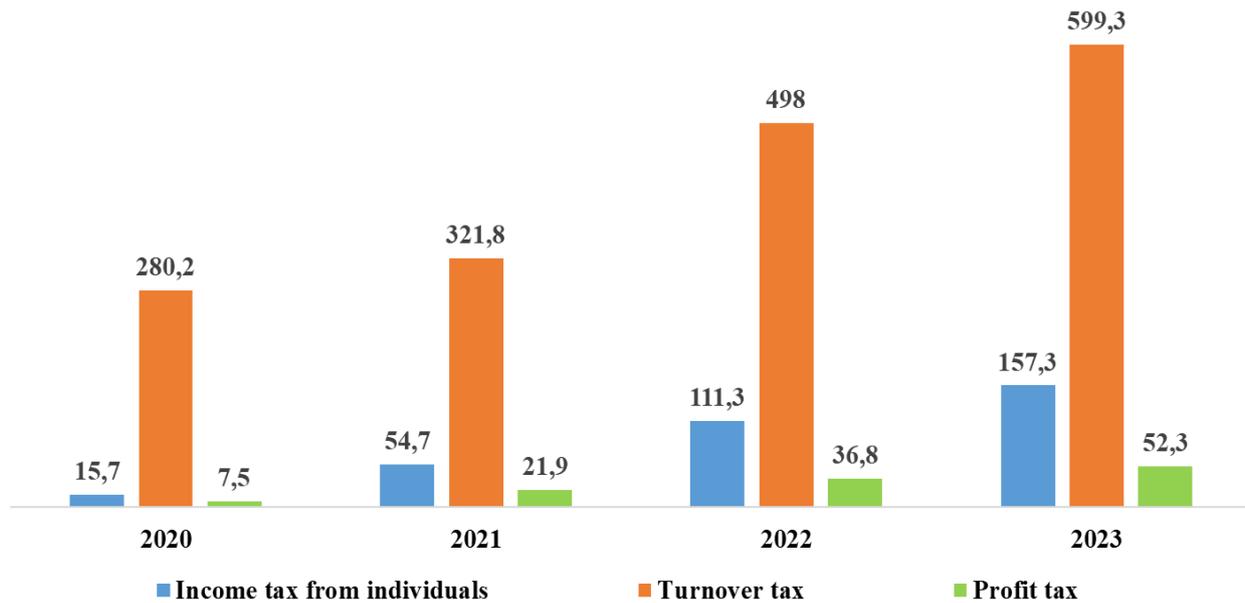
An income tax on individuals is levied by individual entrepreneurs in a strictly defined amount depending on the source of income formed.

According to other types of income of individual entrepreneurship: separate accounts are kept, and income taxes from individuals are paid at the rates established on the basis of the declaration on total annual income (Table 2).

**Table 2. By sources of income of individual entrepreneurs income tax rates**

№	Types of income	ITFI rate
1.	Non-taxable property income in the tax agent	12%
2.	Income received in the form of royalties for the creation and use of works of science, literature and art	
3.	Income in the form of non-taxable material benefit in the tax agent	
4.	Revenues from sources outside the Republic of Uzbekistan	
5.	Income from sources without tax agents	
6.	Dividends and interest (tax code 380, taking into account the tax benefits under Article 380)	5%

We can analyze the data on income tax, tax on turnover and profit taxes from individuals for a strictly fixed amount paid by individual entrepreneurs through the figure below (Figure 1).



**Figure 1. Information on tax revenues paid by the yatts (crore. som).**

From the data of Figure 1 Above, It can be seen that taxes paid to the budget by individual entrepreneurs amounted to 303.3 billion in 2020. making up the sum, these pointers tend to grow in later years. I.e. 398.4 crore in 2021. the sum was, an increase of 1.3 times that of 2020. In 2023, however, there was a 2.7-fold increase over 2020.

Analytical indicators can be explained by the improvement of tax legislation in Uzbekistan and a sharp increase in the number of individual entrepreneurs from year to year, as well as budget revenues, through the many opportunities and reliefs provided to small business entities.

One of the most important and modern areas of entrepreneurial activity in the country is the conduct of state registration activities on the basis of self-employment of citizens. Self-employment of citizens ensures their employment, improves their financial independence, and in the coming period, having full-fledged rights in labor relations, is taken into account in the appointment of a pension for the period of activity.

Types of activities are defined under the legislation on self-employment in order to further involve the population in entrepreneurial activities and provide additional opportunities for the implementation of legal labor activities. Self-employed activities can be researched by dividing them by the following areas.

It is possible to include such types of activities as tutoring at home, babysitting and caring for children, maintaining a household, cleaning rooms, folk medicine, nursing.

Activities such as wood architecture, plumbing service, electrical installation work, maculature, plastic container, hardware collection and additional raw material collection can be included in the industrial direction.

In the direction of agriculture - it is possible to include such types of activities as raising livestock, caring for them, helping the owners of the plant in the planting and care of agricultural plants.

It is possible to include in the direction of information communication - activities in social networks,

freelancing, software, development of mobile applications and websites, text creation and processing. It is possible to include in household services - hairdressing, manicure, cosmetologist, pedicure, washing and ironing at home, making keys, sewing shoes, repair and painting.

In the direction of production of consumer goods and the provision of services - bread, pop corn at home, ice cream, salads, cool drinks, buttermilk, Goja and the sale of agricultural products in peasant markets-can be included.

Focusing on analytical information about self-employed citizens and their components in the Republic (Table 3).

**Table 3. Analytical information on self-employed citizens on the Republic (as of may 1, 2024)**

№	Name of Regions	Total number of Citizens taken into account	Of which, the number of Citizens taken into account in the current year		including:					
			number	%	services on public routes	Industry-oriented services	Agricultural direction Services	Services in the direction of information communion	Household services	Production of goods of public consumption and the provision of services
<b>Republic total</b>		<b>3 387 429</b>	<b>926 714</b>	<b>29,2</b>	<b>929 696</b>	<b>314 540</b>	<b>799 076</b>	<b>159 248</b>	<b>886 966</b>	<b>297 903</b>
1	Qoraqalpog'iston R.	149785	45500	31,9	39098	10873	44341	6834	32193	16446
2	Andijon province	300108	81643	28,9	71601	37908	59209	16333	83333	31724
3	Buxoro province	212010	56084	28,1	57796	12711	65795	8114	52372	15222
4	Jizzax province	146432	44207	31,3	32876	10100	51334	6257	35101	10764
5	Qashqadaryo province	343772	81904	24,8	95789	27848	91846	11767	86957	29565
6	Navoiy province	102118	22480	22,9	31800	6318	30973	3455	22063	7509
7	Namangan province	285673	101323	37,2	62749	31360	81166	10008	74270	26120
8	Samarqand province	420845	89941	22,6	115506	43779	79535	14926	126418	40681
9	Surxondaryo province	253853	72725	29,8	56684	18331	79185	16859	59459	23335
10	Sirdaryo province	89615	22759	27,0	21810	7053	27148	4659	19108	9837
11	Toshkent province	275876	103923	41,5	84803	20560	63123	13801	69399	24190
12	Farg'ona province	295355	74033	26,8	64474	49909	65808	10758	79963	24443
13	Xorazm province	163817	37155	23,3	39977	13879	55442	5844	36745	11930
14	Toshkent city	348170	93037	31,6	154733	23911	4171	29633	109585	26137

Based on the data of Table 3 above, the composition of self-employed citizens is divided into groups. Referring to the composition of these groups, they consist of:

From the table 3 data above, it can be seen that, on a Republican scale, as of may 1, 2024, 3,387,429 citizens have received state registration as self-employed. Over the course of the current year, 926,714 citizens have been registered as self-employed on a Republican scale, of which 929,696 (27.4 percent) have social services and 886,966 (26.2 percent) have household services. The lowest figure corresponds to the information and communication direction, that is, only 4.7 percent compared to the total figures. This means that in our country it will be necessary to further stimulate the representatives of this field and give relief, and, as a result, increase the number of those involved in the activities related to this field. If we see the analytical data in the cross section of the regions, then the leading area corresponds to the Samarkand region and the city of Tashkent, where the population is relatively large, this figure is 420,845 people (12.4 percent) in the Samarkand region, 348,170 people (10.3 percent) in the city of Tashkent.

The importance of small entrepreneurship is growing as a factor in the sustainable development of the economy of world countries, ensuring employment and ensuring economic growth. Reforms are being implemented to create a favorable business environment for individual entrepreneurs and self-employed individuals by simplifying the taxation system, reducing the tax burden and improving tax administration.

As of today, individual entrepreneurs in the UK number more than 4.36 million. As of the second quarter

of 2023, there are 783,000 self-employed workers in the UK building industry who are aged, the largest of any industry. The number of self-employed professionals working in professional, scientific and technical fields is around 598,000, making it the second most common industry for self-employed professionals.

In the UK, we can analyze the statistics of self-employed individuals in the cross section of self-employed activities through the following picture (Figure 2).

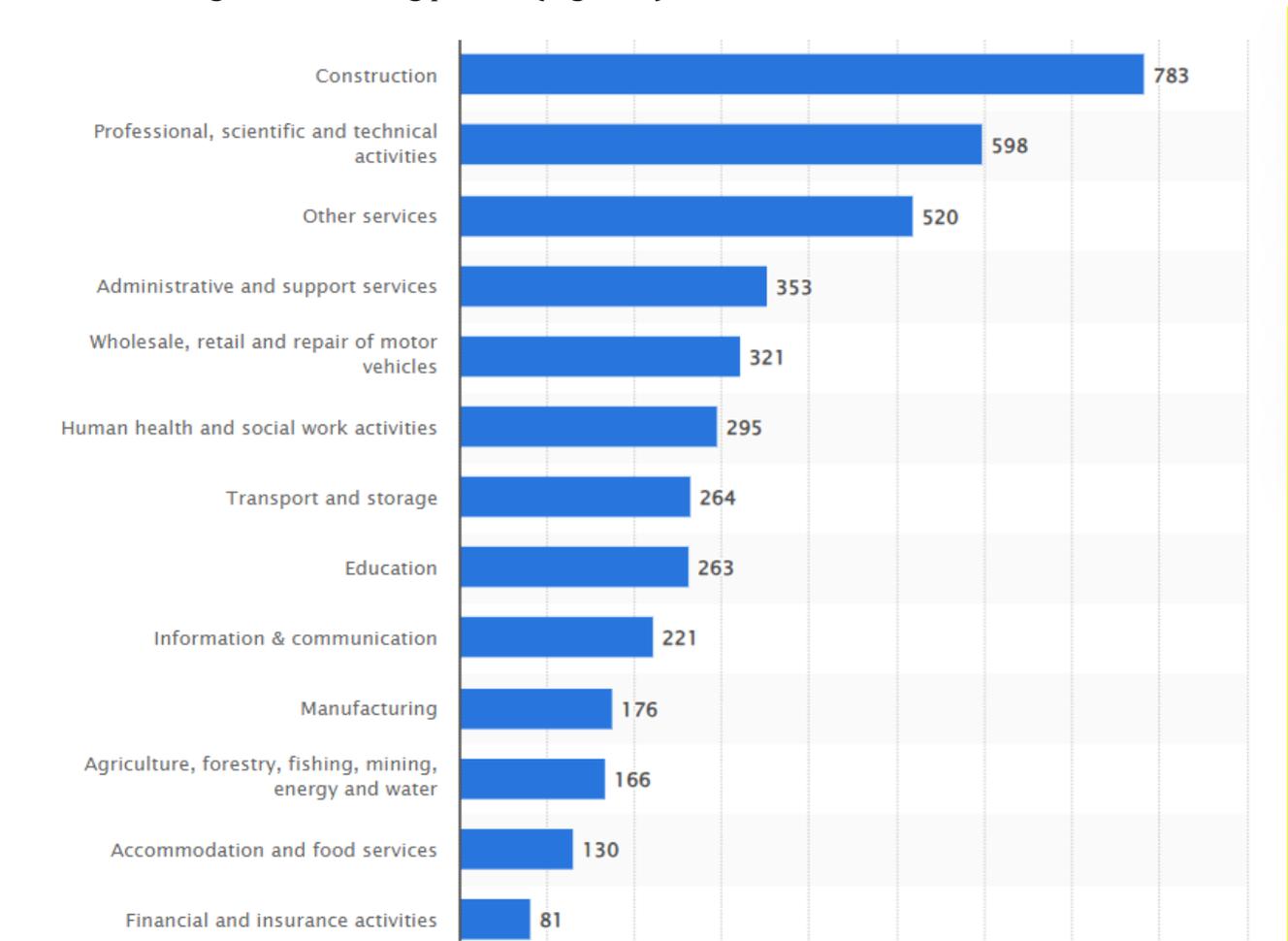


Figure 2. Statistics of self-employed persons by type of activity in the UK <sup>4</sup> (thousand people)

From the Figure 2 data above, it can be seen that there are 783,000 self-employed workers in the UK building industry who are aged, the largest of any industry. The number of self-employed professionals working in professional, scientific and technical fields is around 598,000, making it the second most common industry for self-employed professionals. The minimum figure corresponds to the direction of financial and insurance services, that is, only 2 percent compared to the total figures.

In 2022, the number of individual entrepreneurs in the UK is over 4.36 million and their total economic contribution is approximately £ 278 billion compared to £ 303 billion in 2021.

<sup>4</sup> <https://www.statista.com/statistics/318406/united-kingdom-self-employed-type-of-work-industry-section/>

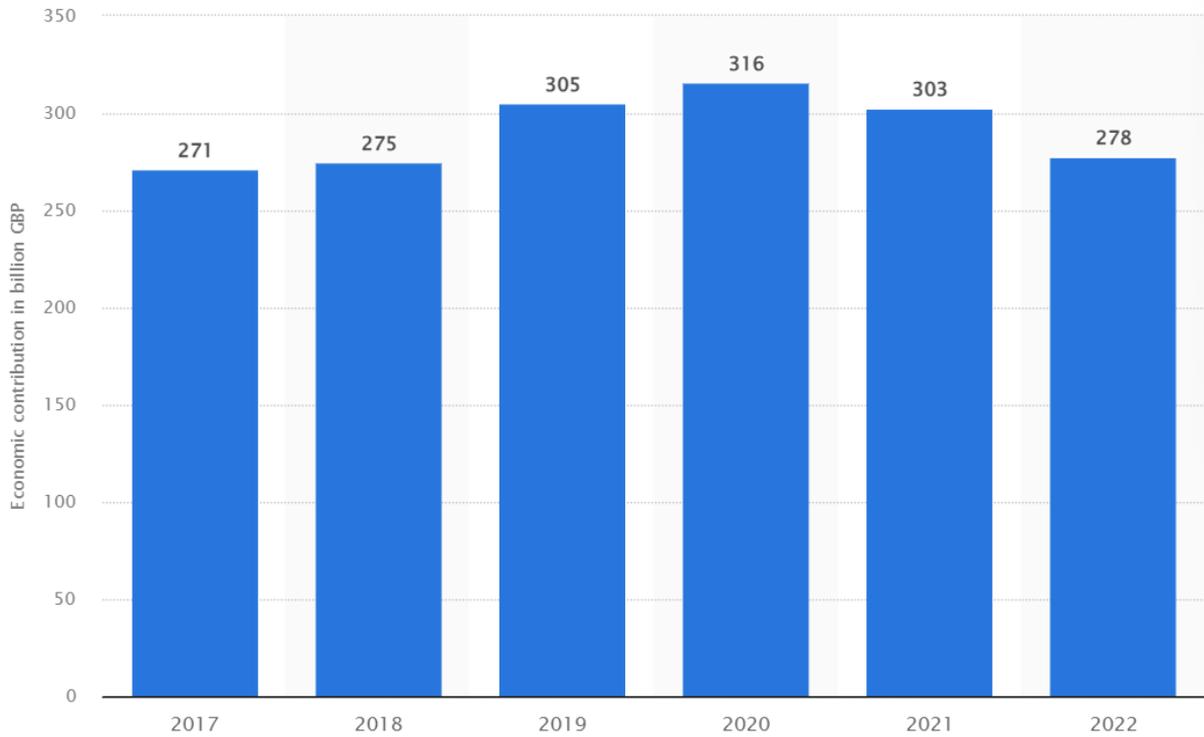


Figure 3. 2017-2022 UK contribution of YaTT to the economy <sup>5</sup>(£billion)

In the UK, a proportional tax rate applies to individual entrepreneurs and self-employed individuals. We can see the tax siavkas through the table below.

**Table 4. Income tax for YaTT and self-employed persons in the UK <sup>6</sup>**

Total income	Tax rate
£ 0 to £ 12,570	0 %
12 571 – 50 270 up to pound sterling	20 %
50 271 – 125 140 up to pound sterling	40 %

In the UK, it is a mandatory VAT payer if its annual turnover exceeds £ 125,140.

Social insurance contributions:

- For entrepreneurs themselves:
  - Basic rate-9% (£9,568 - £50,270 to intermediate income)
  - Additional 2% (to income above£50,270)
- For employees:
  - 13.8% (to income above£9,568)

Corporate tax (Corporation Tax) - 19%

<sup>5</sup> <https://www.statista.com/statistics/318406/united-kingdom-self-employed-type-of-work-industry-section/>

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### **Conclusions and Suggestions**

Based on the research carried out on the topic and advanced foreign experience, the following conclusions were formulated:

1. It is advisable to combine YaTT and self-employed individuals, taking into account the fact that individual entrepreneurs practically repeat each other the types of activities that can be dealt with by their activities and self-employed individuals.
2. From the experience of Western Europe, YaTT and self-employed persons should include in the taxation mechanism a non-taxable minimum, that is, a progressive tax rate.
3. YaTT and self-employed persons should be indicated that it is mandatory to establish an accounting payment terminal and an online control cashier technique in relation to all types of activities in which the practice of cash settlement with the population is required. Through this, YaTT and self-employed individuals trade turnover is controlled.

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