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### ISSUES THAT NEED TO BE CHANGED IN THE LEGISLATION TO IMPROVE THE TAXATION OF BUSINESS ENTITIES

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#### Abstract:

This article analyzes some problematic aspects of the current legislation in improving the taxation system of business entities in the Republic of Uzbekistan and develops proposals for their elimination. The main attention in the study is paid to the need for the stability of tax legislation, further improvement of simplified tax regimes, legal strengthening of digital tax administration, and the introduction of a system for assessing the effectiveness of tax benefits.

The article analyzes the application of the current "Tax Code" and related by-laws to business entities, and considers the problems encountered in practice - in particular, the high tax burden, irregular distribution of benefits, complexity of reporting, and lack of clarity in some norms. The results of the study will serve to further effectively implement state policy to improve the tax system in Uzbekistan and support entrepreneurial activity.

**Keywords:** business entities, tax system, tax administration, legislative reforms, turnover tax, digital economy, privileges, tax burden.

#### Introduction

In the process of large-scale economic reforms being implemented in Uzbekistan, the development of entrepreneurial activity, strengthening its legal and financial guarantees is one of the priority areas of state policy. The sustainable growth of the country's economy and the creation of new jobs largely depend on the activity of business entities and the tax environment created for them. Therefore, improving the tax system and updating its legislative framework in accordance with modern requirements is of urgent importance.



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Tax legislation is the main legal framework that directly affects the activities of business entities. In recent years, the adoption of a new edition of the "Tax Code", a reduction in the number of tax types, a reduction in certain rates, and the introduction of electronic reporting systems have significantly simplified tax administration. At the same time, in practice, there are problems such as the high tax burden in some areas, insufficient assessment of the effectiveness of benefits, and incomplete legal support for the digital reporting system. Today, the need to improve the legislation on taxation of business entities is primarily associated with the digitalization of the economy, improving the investment climate, and supporting small and medium-sized businesses. To this end, it is important to adapt the regulatory documents regulating tax relations to the requirements of international practice, introduce a system for the effective distribution of tax benefits and assessing their effectiveness. The purpose of this study is to analyze the current legislation on taxation of business entities in Uzbekistan, identify existing shortcomings, and develop scientifically based proposals for legal amendments necessary to eliminate them.

1. On amendments to the Tax Code of the Republic of Uzbekistan, approved in a new edition by the Law of the Republic of Uzbekistan No. ZUR-599 dated December 30, 2019:

Article 46 of the Tax Code. Sale of goods and services

Proposal:

Article 46 is being supplemented. Sale of goods and services

...

(third part) The taxpayer's activity to receive funds from authorized state bodies in the form of distribution of fines collected from legal entities and individuals is recognized as the provision of services to the authorized state body for a fee.

Basis:

Entrepreneurs in the republic are allowed to organize their activities by installing software and hardware tools for photo and video recording of traffic violations.

In particular, in 2024, the turnover of services of 25 enterprises amounted to 280 billion soums (216 billion soums in 2023, an increase of 30%).



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According to the resolution on the regulation of this activity (21.04.21 No. 232 of the Ministry of Internal Affairs of the Republic of Uzbekistan), it is established that entrepreneurs will be paid based on the distribution of the amount of fines collected for the specified traffic violations (50% for up to 2 years, and 10% thereafter).

In this case, despite the fact that the entrepreneur provides services to a state body, the amount of the fine is recognized as the tax base when calculating VAT for this activity (i.e., it is qualified that the fine should include VAT), which leads to numerous tax disputes (VAT not being taken into account).

In order to provide entrepreneurs with the opportunity to account for VAT, it is proposed that this activity be considered by the entrepreneur as a service provided to the authorized body and VAT be calculated for the services provided.

### 2. Proposal for amending the Tax Code of the Republic of Uzbekistan:

Article 47 of the Tax Code. Invoice

(part one) When selling goods (services), legal entities, individual entrepreneurs and self-employed persons are obliged to provide an invoice to the purchasers of these goods (services), unless otherwise provided for in this article.

Basis: In accordance with the Resolution of the President of the Republic of Uzbekistan No. PP-247 dated August 12, 2025, the tax rate on turnover for individual entrepreneurs and self-employed persons with an annual turnover of up to 1 billion soums is set at 1 percent.

At the same time, self-employed persons will be provided with the opportunity to identify electronic invoices and acceptance and delivery acts (on work performed) on digital platforms using remote biometrics.

To date, 5.8 million self-employed persons have been registered. At the same time, the approved list of activities that can be carried out by self-employed persons includes more than 100 types of activities aimed at providing services to legal entities.

For example, the counterparties of self-employed persons engaged in the production of paper boxes and packages are mainly legal entities engaged in production or service provision. In this case, legal entities request self-employed persons to provide invoices for the goods they purchase.



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Legal entities and individual entrepreneurs who are taxpayers of turnover are required to issue invoices. Now, according to the resolution, self-employed persons are also considered taxpayers of turnover and are required to issue invoices like legal entities and individual entrepreneurs.

Tax reports of self-employed persons registered on the digital platform are automatically generated by the platform based on the information on invoices and QR codes from which their turnover is issued.

In accordance with the above, invoicing by self-employed persons is proposed.

### 3. Proposal for Amendments to the Tax Code of the Republic of Uzbekistan:

#### Article 81 of the Tax Code. Formation and Preparation of Tax Reports

(Part Five) Reports on property tax of legal entities, land tax from legal entities, income tax from individuals, social tax, value added tax and turnover tax are formed by tax authorities in electronic form on the basis of data available in the information system of tax authorities and entered by the taxpayer (tax agent) in the interactive service in his personal account.

(Part Six) If the data in the report formed by the tax authorities differ from the accounting documents of the taxpayer (tax agent), the taxpayer (tax agent) shall make corrections to this report and submit it within five days, but not later than the deadline for submitting the relevant report.

(Part Seven) Failure to make corrections to the tax report formed by the tax authorities within the period specified in Part Six of this Article shall constitute the tax agent's consent to the report formed by the tax authorities and shall be deemed to have been submitted as formed by the tax authorities.

(Part Eight) The procedure for drawing up, amending and submitting a report formed by the tax authorities shall be determined by the Cabinet of Ministers of the Republic of Uzbekistan. In accordance with subparagraph a of paragraph 11 of the Decree of the President of the Republic of Uzbekistan No. PF-138 (19.08.2025), the tax authorities are entrusted with the task of forming tax reports on property and land tax collected from legal entities, income tax collected from individuals and social tax. In addition, the taxpayer is entitled to make the necessary corrections to the tax reports formed by the tax authorities within five working days and submit a corrected tax report.



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In addition, the Presidential Decree No. PP-247 of August 12, 2025 established the payment of turnover tax for individual entrepreneurs and self-employed persons with an annual turnover of up to one billion soums. In this case, in accordance with the legislation, individual entrepreneurs and self-employed persons with a turnover of more than one billion soums will be subject to VAT. In turn, they will also be obliged to submit AOS and VAT reports. In order to create favorable conditions for individual entrepreneurs and self-employed persons, to prepare and submit tax reports for them, and to reduce the number of sanctions for failure to submit reports on time (cases of administrative liability, freezing of bank accounts, suspension of VAT certificates), it is proposed that tax authorities proactively form value added tax and turnover tax reports. For your information: During the first 9 months of 2025, decisions were made to freeze the bank accounts of 20,923 enterprises in 47,523 cases due to untimely submission of VAT reports, and 51,375 enterprises in 132,393 cases due to untimely submission of AOS reports.

### Conclusions and suggestions

Expanding digitalization - fully electronic transfer of tax processes, strengthening control using artificial intelligence.

Developing a simplified system - easing tax rates and reducing the reporting burden for small businesses.

Optimizing tax incentives - granting incentives only for innovative and social projects.

Improving tax culture - establishing training programs and online consulting systems for entrepreneurs.

Combating the shadow economy - mandatory introduction of electronic invoicing and online cash registers.

Transparent control system - introducing risk-based tax audits.

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