

THE ROLE OF TAXES IN ENSURING INVESTMENT AND INNOVATION ACTIVITY OF ENTERPRISES

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Abstract. *This article describes the role, importance and main aspects of taxes in ensuring the investment and innovation activities of enterprises. The main aspects of the implementation of the innovation and investment policy of enterprises are determined. Also, relevant scientific conclusions and proposals were developed based on the study of factors affecting investment and innovation activity.*

Keywords: *national economy, foreign investments, innovations, investment climate, taxes, business entities, tax incentives, tax deductions, innovative economy.*

Introduction. Taxes are the main financial source in financing a number of tasks of the state and financing its socio-economic functions. Taxes are important in the relations between the state and business entities in the market economy. In this case, the profit tax, which affects the direct financial results of taxpayers in a general manner, is considered an effective support in stimulating their investment activities.

As the President of the Republic of Uzbekistan Sh.M.Mirziyoev noted, "... it would be appropriate for relevant agencies to take measures to increase the efficiency of work on attracting investments to our country, to eliminate problems, obstacles and pitfalls in this area, and to improve the investment environment". In turn, "...enterprises must improve the efficiency of the existing system in the context of critical analysis of the implementation of target programs, priority investment projects and other urgent tasks".

Tax benefits are important in the development of economic sectors. In this direction, it is permissible to highlight the investment tax benefits given to real sector enterprises in terms of profit tax. The investment tax credit is one of the active elements that encourage the economic entity to invest its profits for the development of its production base, and as a result of the investment, it serves to increase the tax base and then the profit tax revenues that go to the state budget. Financial support of those making investments in the regions is also considered appropriate. Our proposal to exclude investment costs from the profit tax base in order to financially support those making investments in the regions is reflected in the new version of the Tax Code of the Republic of Uzbekistan (Article 308). As a result, 214 billion soums were left at the disposal of taxpayers in 2020, and an opportunity to increase their economic activity was created.

The level of study of the topic

In our country, the impact of taxes on the activities of enterprises, the state of using tax benefits has been studied by a number of local researchers, including the scientific research of Sh.Toshmatov, N.Khaidarov.

According to foreign economists, the small amount of taxes charged with tax deductions stimulates the acceleration of savings and investment processes of enterprises and ultimately ensures economic growth.

Analysis and results

The growth of global integration is reflected in the export and import of goods and services, the stock of direct investment in the United States has almost doubled in 30 years, provided growth from 14% to 25% of GDP, and the increase in portfolio investment by 13 units is recognized to be from 2.3% to 29% of GDP will be done.

Regarding the strategic mission of Uzbekistan in the near and long term, the President of the Republic of Uzbekistan, Sh.M.Mirziyoev, said: “We will continue to help our entrepreneurs, who are faced with a shortage of working capital in the pandemic, to get back on their feet”. The concessions granted to the tourism, transport and catering sectors will be extended until the end of next year. I also propose to extend the payment period of 400 billion soums of land and property tax of 20 thousand entrepreneurs for one more year. In addition, within the framework of public procurement up to 1 billion soums, the advance amount will be increased to 30%. In general, 6 trillion soums of preferential loans will be allocated within the framework of family business programs in order to continue the work on financial support of entrepreneurship. Also, an additional 100 million US dollars will be directed to expand the rural entrepreneurship development program launched by the Government together with the World Bank. At the same time, the Government will introduce mechanisms aimed at reducing the “hidden economy” in order to create an environment of equal competition in the market and to fully support honest entrepreneurs - I repeat - honest entrepreneurs working on the basis of modern technologies. In this direction, it can be noted that production tax credit for electric energy from renewable sources, tax credit for other productions and investment tax credits have been introduced in the development of production and investment in the energy sector in the USA.

Another group of researchers recommended the use of preferential progressive corporate tax rates in order to increase the investment activity of small business entities, that is, the tax rate should increase with the increase of income. Against the COVID-19 pandemic, the US government has developed 5 laws, the main aspect of these laws is to allocate a total of 3.4 trillion US dollars from the state budget to reduce unemployment caused by the pandemic in the 2021 financial year, and 3.3 trillion US dollars for the 2020-2030 financial year planned.

As one indicator of the global fiscal and monetary response, the International Monetary Fund has projected \$5.4 trillion in public spending and revenue to support economic activity through 2020, including \$5.4 trillion in loans, capital, guarantees, and more, and a total of 10.8 trillion US dollars were allocated. Government borrowing worldwide has increased from 3.9 percent of gross domestic product (GDP) in 2019 to 12.7 percent in 2020. According to other estimates, central banks have allocated US\$17 trillion to support their economies to combat the economic consequences of the pandemic. The ratio of budget deficit to GDP in developed countries is forecast to increase from 3.3% in 2019 to 14.4% in 2020; For the United States, this figure was projected to increase from 6.3 percent to 18.7 percent. This is the highest rate for any country or region.

According to the IMF, France, Germany, Italy, Japan and the United Kingdom implemented measures to support the public sector at the level of 10% of annual GDP. According to the forecasts of developed countries, the budget deficit may increase from 4.9 percent of GDP to 10.7 percent, increasing their debt burden. According to some estimates, countries considered financially vulnerable include Argentina, Venezuela, Lebanon, Jordan, Iran, Zambia, Zimbabwe, and South Africa. According to the IMF, some developed countries may have “unmanageably” high levels of debt. For this purpose, it is important to check the financial stability of the banks operating in them.

In recent years, consistent reforms have been implemented in our country to create a favorable tax environment for enterprises operating in the economy. In particular, tax incentives were introduced aimed at increasing the flow of investments, rapid introduction of modern innovative technologies, modernizing production, technical and technological re-equipment with wide application of scientific and technical achievements to economic sectors, social and other fields. However, there are inconsistencies in the legal basis for providing these tax benefits, the absence of a mechanism for monitoring the results of tax benefits, the fact that tax benefits are not provided on the basis of specific conditions, the lack of effective and modern tax mechanisms aimed at increasing the innovative and investment activity of enterprises, and the existing ones do not produce adequate results. Such cases create the need to improve tax incentives in the regulation of innovation-investment activities of enterprises.

Rapid introduction of modern innovative technologies to the national economic sectors, social and other areas and regions with wide application of science and technology achievements is an important condition for rapid development of the Republic of Uzbekistan and its regions.

There are also large regional differences in the number of enterprises and organizations that have produced innovative products (work, services). It can be seen that most of these enterprises are concentrated in Tashkent city and region. In the rest of the regions of our republic, it can be observed that the efficiency is relatively low.

The legal basis for providing tax benefits was critically analyzed and inconsistencies were identified. In particular, in the first part of Article 30 of the Tax Code, tax incentives are provided for in the Tax Code, other laws and in the decisions of the President of the Republic of Uzbekistan, and in the second part, "Property tax, land tax, unified land tax are to be granted locally in the order established by the Cabinet of Ministers of the Republic of Uzbekistan". that it can be implemented by state authorities. However, in practice, it was found that tax benefits were applied on the basis of the Tax Code, laws and decisions of the President of the Republic of Uzbekistan on the basis of other normative legal documents (Table 1).

To eliminate these inconsistencies, in particular, in Article 30¹⁹ of the Tax Code, a proposal to clarify the bodies authorized to provide tax benefits and regulatory legal documents defining tax benefits was developed and put into practice.

Table 1

Analysis of enterprises using tax incentives in Uzbekistan in terms of regulatory and legal documents

z	2016	2017	2018	2019	2020
Tax Code of the Republic of Uzbekistan	17719	24734	56411	34568	42623
The Laws of the Republic of Uzbekistan	55	25	105	82	64
Decrees of the President of the Republic of Uzbekistan	3499	4814	2620	1859	3218
Decisions of the President of the Republic of Uzbekistan	9155	12341	17257	16542	22134
Orders of the President of the Republic of Uzbekistan	71	17	67	72	86
Decrees of the Cabinet Ministers of	367	7132	8241	7412	8461

the Republic of Uzbekistan					
Decisions of the Cabinet Ministers of the Republic of Uzbekistan	3	0	2	4	5
Ministry of Justice of the Republic of Uzbekistan (on the basis of joint decisions of ministries and agencies)	0	42	12	17	19

In our national tax legislation, in particular, in Article 159 of the Tax Code of the Republic of Uzbekistan, the taxable profit of the taxpayer is equal to the amount of funds directed to the modernization of production, technical and technological re-equipment, after deducting the depreciation calculated in the relevant tax period, but not more than 30% of the taxable profit. is set to be reduced. We analyze the impact of this benefit on the investment activity of taxpayers in Table 2 below.

Table 2

State of use of investment discounts of enterprises (million soums)

№	Name of enterprises	Calculated depreciation	Investment amount	Difference +/-
1.	"AMIR BEST MIX TRADE" limited liability company	194654,2	173244,0	-21410,2
2.	"TRITON MEGA LUX" limited liability company	17231,2	15748,6	-1482,6
3.	"SHIFO FARM 2020" limited liability company	6456,7	6182,8	-273,9
4.	"VEROMIX" limited liability company	16330,9	17231,3	900,4
5.	"BOG'OT GEO PLAN" limited liability company	18561,4	18263,7	-297,7
6.	"GREEN HOUSE UNIVERSE" limited liability company	9879,3	8793,2	-1086,1

According to Table 2, "AMIR BEST MIX TRADE" enterprise spent 173,244.0 mln. for modernization. Attracted investment in the amount of soums, and could not use the privilege due to the excess of the depreciation allowance calculated in this period. 15748.6 mln. by "TRITON MEGA LUX" enterprise, 6182.8 million soums by "SHIFO FARM 2020" enterprise, despite the investment of 17231.3 thousand soums, only 44.5 mln. used an investment discount of soums or 0.3 percent.

Table 3

Comparative analysis of reduction of investment funds from taxable profit (million soums)

Indicators	"AMIR BEST MIX TRADE"	"VEROMIX"	"BOGOT GEO PLAN"
The remaining balance amount of the amount directed to the investment in the previous reporting period	364,8	487,3	42,2
Including:	0,0	0,0	0,0
For the 2020 reporting period	48,6	218,5	0,0
For the 2019 reporting period	238,2	274,4	0,0

The amount of the calculated depreciation allowance	26,0	232,6	36,2
The amount of investment made during the reporting period	314,2	468,2	108,3
The increased part of the amount directed to investment from the amount of depreciation calculated during the reporting period	288,2	235,6	72,1
Taxable profit	234,6	264,2	32,5
Amount to be deducted from taxable profit	58,1	79,8	11,2
The unreimbursed part of the investment amount at the end of the reporting period	512,4	608,2	56,7
The share of total investments of the amount to be deducted from the taxable profit	11,3	13,1	19,7

The analysis shows that although the unreimbursed investment amount is set to be deducted from the taxable profit for 5 years, most of the enterprises are not able to take advantage of this opportunity even in 10 years. This situation can also be seen from the data of Table 4.

For example, when studying the submitted 4-year reports of "AMIR BEST MIX TRADE" enterprise, the amount of unreimbursed investment at the beginning of 2020 was 295.6 billion sum (53.9 billion soums for 2011, 241.6 billion soums for 2012), the amount directed to investment in 2020 will be 307.1 billion soums. amounting to only 68.9 billion soums that year. in the amount of soums (remaining from 2011) or 11.4% of the total investment amount as an investment discount.

It can be seen that this enterprise will need 9 years (100/11.4) to fully use the privilege. Also, according to the report submitted by "VEROMIX" and "BOGOT GEO PLAN" enterprises in 2019, 8.5% of the total investment amount, respectively and had the opportunity to reduce 8.6 percent of the taxable profit.

Tax benefits are important in the development of economic sectors. In this direction, it is permissible to highlight the investment tax benefits given to real sector enterprises in terms of profit tax.

Businesses should increase their access to tax incentives, including investment deductions, to increase their investment activity. According to our analysis, it is necessary to relax the restrictions on the tax deduction mentioned above. In order to increase the investment activity of enterprises, the total investment amount should be reduced from the taxable profit. However, since the purchased technological equipment is put into operation, it is included in expenses by calculating depreciation and reduced from income. From this point of view, the investment activity of enterprises would increase if only the amount remaining after deducting the amortization allowance calculated for the purchased new technological equipment was used as an investment deduction.

In addition, in order to further increase the efficiency of this privilege and the positive impact on the investment activities of enterprises, we believe that it is appropriate to revise the 30% limit on the privilege (in the amount not exceeding 30% of the taxable profit) and increase it to 50%. In a word, companies paying profit tax could not take advantage of the benefit due to the two limitations mentioned above. This, in turn, causes a decline in investment interest.

Conclusion. In order to conduct an active investment policy, it is necessary to provide

financial support to the activities of state economic entities. Current investment and innovation activities in networks and economic entities depend on the issues of economic transformation. In recent years, consistent reforms have been implemented in our country to create a favorable tax environment for enterprises operating in the economy.

In particular, it is more appropriate to introduce more tax incentives aimed at increasing the flow of investments, the rapid introduction of modern innovative technologies, the modernization of production, technical and technological re-equipment, with the wide application of scientific and technical achievements to economic sectors, social and other fields.

However, there are inconsistencies in the legal basis for providing these tax benefits, the absence of a mechanism for monitoring the results of tax benefits, the fact that tax benefits are not provided on the basis of specific conditions, the lack of effective and modern tax mechanisms aimed at increasing the innovative and investment activity of enterprises, and the existing ones do not produce adequate results. Such cases create the need to improve tax incentives in the regulation of innovation-investment activities of enterprises.

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