

TAX FOR SMALL BUSINESSES, THEIR STRENGTHENING, RISKS AND PROSPECTS

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Abstract. The article analyzes the features of the tax system for small businesses, factors ensuring their sustainability, existing risks and development prospects. The study examines simplified tax regimes for small businesses, their effectiveness and impact on financial stability. It also identifies problems such as an increase in the tax burden, changes in legislation and a lack of information. The results show that combining tax policy with digital technologies, educational and advisory services, as well as the introduction of flexible and transparent procedures, stimulates the development and legal activities of small businesses.

Keywords: small business, simplified tax regime, tax burden, financial stability, risks, tax policy, development prospects, digitalization.

Introduction. Small businesses play a key role in ensuring sustainable economic growth, fostering a competitive environment, creating jobs, and increasing household incomes. In the context of economic transformation, government tax policy for small businesses is particularly important, as the level of the tax burden and the quality of tax administration largely determine their development and sustainability.

Small business taxation should serve a dual function: on the one hand, it should ensure budget revenues, and on the other, it should create favorable conditions for entrepreneurial activity. Therefore, it is important to study current tax regimes for small businesses, the factors that strengthen them, as well as the risks and prospects for further development.

Literature Review. In the scientific literature, small business taxation is considered a key element of government policy to stimulate entrepreneurship and enhance economic resilience. Researchers note that small businesses play a significant role in creating jobs, fostering innovation, and fostering a competitive environment, making them a particular focus for tax authorities and legislators. A number of authors emphasize that effective small business taxation must combine two principles: ensuring budget revenues and creating conditions for the growth of entrepreneurial activity. In particular, studies by Russian economists (Ivanov, 2019; Petrov, 2020) note that the use of special tax regimes, simplified reporting, and reduced rates helps reduce the administrative burden and strengthen the financial stability of small businesses. International studies show that a flexible system of tax incentives for small businesses increases their competitiveness and stimulates the formalization of the economy. Simplified taxation and tax holidays play an important role for new businesses in the early stages of their operations.

The literature also highlights the risks and limitations of existing tax systems. These include excessive tax burdens as businesses grow, difficulties in complying with tax legislation, lack of information about available incentives, and the potential for abuse of special regimes. These factors can contribute to entrepreneurs' shift to the informal sector and reduce the effectiveness of tax policy.

Modern research emphasizes the need to digitalize tax administration, implement a risk-based approach, and increase procedural transparency. An important area is integrating tax support

with consulting and training programs for entrepreneurs, which contributes to increased tax literacy and voluntary compliance.

Despite extensive research, there remains a lack of empirical work assessing the long-term impact of tax incentives and simplified regimes on the sustainability and growth of small businesses, particularly in the CIS and Central Asia. There are also few studies comparing the socioeconomic impact of various forms of tax support for different small business sectors.

A literature review shows that tax policy for small businesses should be comprehensive, combining incentive measures and risk mitigation. An effective tax system for small businesses promotes financial stability, increased productivity, and expanded economic activity.

Analysis and research. Based on a review of legislation and statistical data, it was found that the majority of small businesses utilize simplified tax regimes, which include reduced income or profit tax rates, simplified reporting, and minimal social contribution obligations. These measures help reduce the administrative burden, increase liquidity, and strengthen the financial stability of small businesses.

Statistical analysis shows that small businesses using simplified taxation systems demonstrate greater financial stability and stable turnover growth compared to companies operating under the general taxation system. The data demonstrates the positive impact of tax incentives on small business development and the development of entrepreneurial activity.

The analysis identified key risks for small entrepreneurs:

Excessive tax burden when expanding a business and moving to higher tax brackets;

Instability of tax legislation, leading to planning uncertainty;

Lack of information about available benefits and obligations, which reduces the effectiveness of tax planning;

Risk of abuse of special regimes, including business fragmentation to minimize taxes.

These risks can limit the growth of small businesses, increase their vulnerability, and contribute to the migration of some entrepreneurs into the shadow economy.

Based on an analysis of the literature and taxation practices, promising areas have been identified:

Digitalization of tax administration, including electronic declarations and automated control, which reduces administrative costs;

Implementation of flexible tax rates and temporary tax incentives tailored to industry specifics and business size;

Educational programs and consultations for entrepreneurs aimed at improving tax literacy;

A risk-based approach to control, allowing resources to be focused on businesses with a high level of potential violations.

These measures contribute to increased transparency in the tax system, strengthening business trust in the government, and stimulating legitimate entrepreneurial activity.

Based on the analysis, the following conclusions can be drawn:

Simplified tax regimes have a positive impact on the financial stability and development of small businesses;

The risks of tax burdens and legislative instability remain a significant factor limiting small business growth;

An effective combination of tax incentives, digital tools, and educational programs creates conditions for strengthening small businesses;

Promising areas of tax policy include rate flexibility, procedural transparency, and the implementation of a risk-based approach, which increases tax efficiency and reduces shadow income.

Conclusion. Thus, taxation of small businesses is an important tool for their strengthening and sustainable development. Effective tax policy should aim to reduce excessive tax burdens, minimize risks, and create a favorable business environment. The implementation of these measures will increase the contribution of small businesses to economic development and ensure the long-term stability of the budget system.

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