



OPTIMIZATION OF ENTERPRISE TAXATION

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Abstract: This article analyzes the issues of optimization of taxation processes for enterprises. The study examined the possibilities of increasing economic activity by reducing the tax burden on enterprises, simplifying and increasing the transparency of taxation. The article suggests ways to improve the tax system through digitalization of taxation, expansion of tax benefits and bid optimization.

Keywords: Taxation of enterprises, optimization, taxation system, tax incentives, digitalization, economic efficiency, SMEs.

Introduction

The role of tax policy in ensuring economic stability and the level of development of the country is incomparable. Due to the efficiency of the tax system, the state budget is replenished, resources are created that contribute to economic development, favorable conditions for entrepreneurial activity are created. In particular, optimization of taxation of small and medium businesses (SMEs) and industrial enterprises has a positive effect on the stability of enterprises, their economic efficiency and an increase in revenues to the state budget.

Today, changes in the global economy and the growing needs of local markets have created a need to make the tax system simpler, more transparent and more competitive. Complexity of taxation or the existence of a high tax burden can often lead to enterprises engaging in illegal activities, tax evasion and hinder investment decisions. Therefore, by optimizing the taxation of enterprises, it is possible to increase economic activity and improve the investment environment.

This research paper analyzes ways to improve the taxation processes of enterprises and considers how a positive impact on the economy can be achieved through modern tax policy. The main objective of the paper is to improve the efficiency of enterprises and ensure their contribution to the economy by maintaining the tax burden on enterprises at an optimal level. From this perspective, the paper discusses the effectiveness of such measures as tax incentives, digitalization of taxation, optimization of tax rates and suggests ways to implement them.

Literature review

Optimization of corporate taxation is an important strategic task today to ensure economic development and competitiveness. The tax system has a direct impact on the activities of enterprises and determines their competitiveness, innovative development and economic efficiency. Many studies show that economic growth and investment activity can be increased by reducing the tax burden on business (Feld and Hekemeyer, 2011; Devereaux and Griffith, 1998).

There are many approaches to optimizing the tax burden, which mainly depend on the size of the enterprise, the scope of activity and the level of economic development of the country. For example, recent studies show that providing tax incentives to small and medium-sized enterprises (SMEs) increases their economic activity (Beck and Demirguc-Kunt, 2006). Based on these studies, it was noted that reducing the tax burden on enterprises has a positive effect on increasing investment and raising the level of employment (Djankov et al., 2010).

Types of taxes and their impact on business activities also play a special role in tax optimization. Payments such as corporate income tax, value added tax (VAT) and social tax constitute the main costs of businesses. For example, research by Stiglitz and Dasgupta (1971) shows that high corporate tax rates limit the reinvestment opportunities of firms and affect production processes.

Meanwhile, international experience shows that it is possible to optimize the tax system by gradually reducing tax rates or bringing them in line with the company's income. For example, the "tax holidays" and "zero taxes" regime used in countries such as Estonia and Latvia creates favorable tax conditions for enterprises and increases their investment activity (Asen, 2020). At the same time, state programs to reduce the tax burden used in Russia have also brought effective results in the activities of enterprises (Ivanov, 2017).

In general, optimization of enterprise taxation is an important factor in the effective organization of their activities and economic development. In this case, studying the experience of different countries and developing approaches that correspond to national economic conditions will increase efficiency and create a favorable environment for investment.

Research Methodology

The study widely used a systematic approach to scientific knowledge, monographic observations, statistical abstracts, logical reasoning and methods of long-term forecasting. Also, the method of analysis and synthesis was effectively used in the implementation of scientific research.

Analysis and discussion of results

In addition, learning the Laffer curve theory to optimize corporate taxation at the national level will make it easier to understand the tax system. The Laffer curve theory is a model that represents the relationship between taxes and government revenues in an economy, and the concept was developed by American economist Arthur Laffer. This theory suggests that increasing tax rates will increase government revenues only up to a certain point, after which increasing tax rates will, on the contrary, decrease revenues. The Laffer curve is used in economic policy to determine the optimal tax level.

The Laffer curve is a graph showing the relationship between tax increases and government revenue. The graph plots tax rates (in %) on the horizontal axis and government revenue on the vertical axis. At the beginning of the curve, if tax rates are increased, government revenue will also increase. However, once the tax rate reaches a certain optimal level (the top of the curve), raising the rates may result in a decrease in government revenue.

The basic concepts are as follows:

1. **The optimal tax rate (T^*)** is the highest point of the curve. At this point, government revenues are at their highest.
2. **Reduced incentives for labor and capital as the tax rate increases**. As the tax rate increases, people and businesses become less motivated to work or invest.
3. **Decrease in government revenue** - Tax rates above the optimal level encourage people not to work or evade taxes, which reduces government revenue.

How does the Laffer curve work?

If the tax rate is:

- **0%** the state receives no income.
- **100%**, the government cannot make any income because no one works and declares their income at such a high tax rate.

- **The optimal tax rate (T^*)** ensures the maximum amount of government revenue.

Mathematical expression of the Laffer curve

Mathematically, the Laffer curve can be expressed as:

$$R = T \cdot B(T)$$

Here:

- R : government revenue,
- T : tax rate,
- B(T) : taxable base, i.e. the volume of economic activity, which varies depending on the tax rate.

Let's assume that the income of one enterprise is 100 million soums. If the tax rate is 10% , the total amount of tax revenues will be 10 million soums. At the same time, due to the increase in the tax rate by 20%, tax revenues will reach 20 million soums. However, when the tax rate reaches 50%, the economic interest of the enterprise decreases and it generates less income, as a result, the income decreases, for example, it falls to 15 million soums. This situation is associated with a decrease in income as a result of an increase in the tax rate from the optimal point.

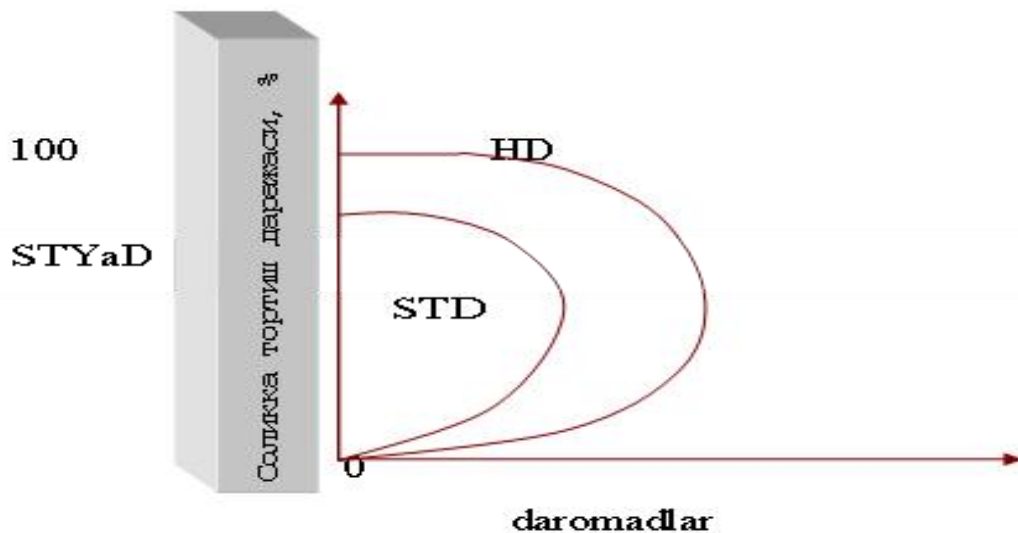
Economic Impact of the Laffer Curve

The Laffer curve suggests that lowering the tax rate can increase government revenue by increasing economic activity. Maintaining tax rates at an optimal level increases the economic activity of the labor force and businesses. The Laffer curve shows the potential for increasing government revenue by reducing high taxes.

The Laffer curve is often used in economic policy, especially tax policy. For example, when tax rates were cut under US President Ronald Reagan, economic activity increased and government revenues increased.

The optimal tax rate varies from country to country and is difficult to determine. It can be difficult to fully understand how the curve affects the short and long term. Lowering tax rates can reduce government revenues in the long run, which can lead to reduced funding for social safety net programs.

The Laffer curve shows that maintaining taxes at the optimal level is an important tool for increasing government revenue. However, since economic and social conditions in each country are different, it is necessary to apply this theory with caution in practice.



1-picture. Dependence of the tax level on real income and income hidden from taxation.

Here:

HD – real income of taxpayers

STD - taxable income

STYaD - hidden income from taxation

In order to analyze the effectiveness of the enterprise tax optimization strategy, the level of tax burden, forms of taxation and the impact of benefits on enterprises operating in different industries were studied. Based on this analysis, the following main results and conclusions are presented.

First of all, it was noted that the financial performance of enterprises can be significantly improved by reducing the tax burden. These changes are especially noticeable for small and medium-sized enterprises

(SMEs), where high taxation reduces their competitiveness and limits investment and development opportunities. For example, it was noted that SMEs' net profit after tax increased and they were able to introduce new technologies due to the reduction in the tax rate over several years.

The importance of applying a graduated system of taxation of enterprises with a high tax on profits was then determined. The analyses showed that if taxes are flexible in relation to the volume of income, the economic activity of enterprises will increase. In particular, favorable tax regimes introduced in developing countries have contributed to the strengthening of the competitiveness of enterprises and their more active participation in the domestic market.

The study also examined the impact of tax incentives. The indicators confirm that providing additional tax incentives to enterprises engaged in certain investment and innovation activities has a positive effect on their development. Thanks to tax incentives, enterprises were able to direct their financial resources to the implementation of innovations and an increase in production capacity. Thanks to this, the efficiency of production in various sectors of the economy increased, new jobs were created, and the cost of goods on the domestic market decreased.

In order to analyze the effectiveness of the enterprise tax optimization strategy, the level of tax burden, forms of taxation and the impact of benefits on enterprises operating in different industries were studied. Based on this analysis, the following main results and conclusions are presented.

1. Mathematical model for reducing the tax burden

The tax burden can be reduced by determining the optimal tax rate for businesses. To express this model mathematically, we use the following formula:

$$T_{\text{opt}} = \frac{TR - TC}{I}$$

Here:

- T_{opt} — optimal tax rate,
- TR — total income of the enterprise (annual income),
- TC - total costs of the enterprise,
- I – the amount of investment or reinvestment.

This formula helps determine the tax level to maintain maximum business profit.

2. Example

For example, if the annual income of an enterprise is $TP=1,000,000$ $TP = 1,000,000$ $TP = 1,000,000$ sum, and its annual expenses are $TC=600,000$ $TC = 600,000$ $TC=600,000$ sum, and the enterprise has $I=100,000$ $I = 100,000$ I for reinvestment. = 100,000 If you want to allocate sums, the optimal tax rate can be calculated as follows:

$$T_{\text{opt}} = \frac{1,000,000 - 600,000}{100,000} = \frac{400,000}{100,000} = 4$$

This means that the tax rate should be at 4% to maintain the maximum profit of the enterprise. This level allows the enterprise to allocate sufficient investments from its profits and ensure development.

3. Analysis of results

The application of the optimal tax rate determined by this formula allows to reduce the tax burden on enterprises. The analysis showed that the introduction of a low tax rate, as in the example above, is effective in increasing profits and ensuring economic stability for small and medium enterprises (SMEs). This not only improves the financial flow within the enterprise, but also has a positive effect on the country's economy.

It is recommended to use a step-by-step taxation system for enterprises with a high tax burden. The results of the study showed that reducing the tax burden expands the ability of enterprises to implement new

technologies, helps to effectively allocate resources and increases competitiveness.

Based on the above analysis, it has been proven that tax optimization is an important factor in the effective organization of enterprise activities and the achievement of economic stability. Therefore, the state is proposed to develop special tax plans to support small and medium businesses, and to introduce benefits only in areas with development potential.

Based on the results presented, it has been proven that tax optimization is an important factor in the effective organization of enterprise activities and the achievement of economic stability. To make this process more effective, the state is recommended to implement tax systems that correspond to economic conditions, especially to develop special tax plans to support small and medium businesses. At the same time, by simplifying the tax system, creating a favorable environment for enterprises and providing tax benefits only to enterprises operating in regions with development potential, it will contribute to further increasing economic efficiency.

Conclusions and suggestions

Optimization of business taxation is important for increasing economic efficiency and creating a competitive environment. Research shows that by reducing the tax burden, it is possible to increase the investment activity of enterprises and the possibilities for innovative development. The creation of tax incentives, especially for small and medium-sized enterprises, will support their economic activity.

The application of the Laffer curve theory suggests that maintaining tax rates at an optimal level can be an effective way to increase government revenues. However, when determining tax policy, it is necessary to take into account the specific economic and social conditions of each country. An analysis of the effectiveness of government programs to reduce tax rates in different countries proves that the correct organization of tax policy has a positive effect on the activities of enterprises.

Overall, the results of the study serve as a basis for studying the possibilities of supporting economic growth and increasing government revenues through optimization of the tax system. At the same time, for success, it is important to use international experience and adapt to local conditions when optimizing tax policy.

At the same time, as a result of the conducted research, the following conclusions can be drawn as proposals for optimizing the taxation of enterprises and ways of implementing them:

- ❖ introduction of tax breaks and incentives
- ❖ reduction and simplification of tax rates
- ❖ digitalization of tax payments
- ❖ providing tax holidays for a certain period
- ❖ creation of a progressive tax system
- ❖ implementation of international tax experience

Introduction of tax incentives and benefits - Introduction of tax incentives and benefits for small and medium-sized enterprises (SMEs). For example, by reducing taxation in the first years for newly created enterprises. It is possible to amend the Tax Code to establish separate tax regimes for small and medium-sized businesses. Local government bodies should be involved in the process of implementing tax incentives. This measure will increase the economic activity of small and medium-sized businesses, create new jobs and stimulate economic growth. In turn, this stimulates business activity and has a positive effect on state revenues.

Reducing and simplifying tax rates. It is necessary to simplify the creation of a competitive environment by maintaining tax rates at a reasonable level or reducing them, revising existing tax rates, and simplifying the tax system by reducing direct taxes for businesses. When reducing tax rates, it is necessary to strengthen tax control in order to reduce illegal activities. Businesses are more likely to operate legally than to avoid taxation, which leads to an increase in tax revenues to the state budget.

Digitization of tax payments. Increase tax collection and reduce corruption by fully digitizing the tax payment process and establishing online tax payment platforms, ensuring digital filing of tax returns and e-tax by strengthening the control system, the transparency of the tax payment process will be increased, bureaucratic hurdles will be reduced, tax collection will be facilitated, and the tax discipline of enterprises

will be improved. This will create an additional source of income for the state.

Providing tax holidays for a certain period - providing temporary tax holidays to enterprises introducing new technologies and implementing innovative projects, introducing tax holidays to enterprises promoting technological development as a result of increasing their ability to attract investment as a result of innovative activities and technological development. will accelerate, which will serve long-term economic growth and increase the competitiveness of the country.

Establishment of a progressive tax system - It is necessary to introduce a progressive tax system depending on the income of enterprises, that is, to slightly increase the tax rate for enterprises with high incomes, to establish the level of taxation depending on the income in the tax system. legislation and to create a system of constant monitoring of the income of enterprises. This measure promotes social justice, since large businesses pay more taxes. At the same time, it allows small businesses to reduce the tax burden, which supports their activities.

Implementation of international tax experience – studying international experience, using the most successful models in the tax system and developing programs for reforming the tax system in cooperation with international organizations such as the World Bank and the International Monetary Fund, and, as a result, international experience will improve the country's tax system, which will increase the investment attractiveness of enterprises and serve economic development.

If these proposals are implemented, the taxation conditions for enterprises in the economy will improve, their financial position will be strengthened, new jobs will be created due to increased investment, economic growth will accelerate, revenues to the state budget will increase, which will allow for the expansion of social programs, innovative development and technological renewal will be accelerated, and the transparency and efficiency of the tax system will increase, which can lead to an improvement in the state's economic management system.

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