



FEATURES OF TAX INCENTIVES PROVIDED FOR THE DEVELOPMENT OF SMALL BUSINESSES IN FOREIGN COUNTRIES

Tukhsanov Qudratillo Nozimovich

DSc, Tashkent State University of Economics,
Professor of the Department of Taxes and Taxation.
Tashkent, Uzbekistan. e-mail: q.tuxsanov@tsue.uz
ORCID: 0000-0001-6964-278X

Article history:	Abstract:
Received: 10 th April 2026 Accepted: 8 th May 2026	Small business development is one of the most important areas for solving economic and social problems, since small businesses contribute significantly to employment and the formation of a competitive environment, quickly adapt to external conditions and have the ability to quickly respond to market needs, resume production and change the final product based on demand for it. Today, small businesses serve not only as an important element of the structural transformation of the economy, taking into account the development characteristics of the regions, but also as a source of increasing revenues to local budgets.

Keywords: Local budgets, Small business development

Small business development is one of the most important areas for solving economic and social problems, since small businesses contribute significantly to employment and the formation of a competitive environment, quickly adapt to external conditions and have the ability to quickly respond to market needs, resume production and change the final product based on demand for it. Today, small businesses serve not only as an important element of the structural transformation of the economy, taking into account the development characteristics of the regions, but also as a source of increasing revenues to local budgets.

Small business relations with the state are regulated using financial instruments, the main of which is taxation. Taxation of small and medium-sized businesses solves two main tasks. These are, firstly, to ensure that the income part of budgets of different levels is replenished with the resources necessary to solve economic and social problems; and, secondly, to promote the growth of the production of goods and services through the use of tax incentives, as well as population employment in the small business sector. Today, these advantages of small businesses are not fully used in the national economy of Uzbekistan, which is evidenced by such indicators as the share of small enterprises in GDP and employment, according to which, despite the adopted and implemented measures to financially support small and medium-sized businesses in the national economy, including the use of tax incentives, cannot yet be compared

with.

The issues of tax incentives for the development of small businesses in our country and abroad have been the focus of scientists and practitioners over the past decade. Among them, A.Smith, D.Ricardo, U.Petti; modern economists A.Laffer, I. Aleksandrov, V.Panskov, V.Knyazev, S.Guseva, I.Mayburov, N.Milyakov, D.Chernik, T.Yutkina¹, Yu.Vertakova and T.Feoktistova, N.Zotikov, K.Neopulo, E.Particular

¹ Смит А. Исследования о природе и причинах богатства народов. Пер.с англ. – Москва, 1962. – 408 с.; Рикардо Д. Начало политической экономики и налогового обложения. Сочинения, том I. – М.: «Государственное издательство политической литературы», 1955. – 360 с.; Петти У. Трактат о налогах и сборах. Разное о деньгах. – М.: «Ось-89», 1997. – 346 с.; Laffer, Arthur B; Seymour, Jan P., The Economics of the tax revolt: a reader. Publisher: New York: Harcourt Brace Jovanovich. 1979 у.; Александров И.М. Налоги и налогообложение: Учебник. –7-е. изд., перераб. и доп. – М.: «Дашков и Ко», 2007. – 314 с.; Пансков В.Г., Князев В.Г. Налоги и налогообложение: Учебник для вузов. – М.: «МЦФЭР», 2003. – 336 с.; Гусева С.М. Упрощенная система налогообложения: Учебник. – Москва, 2004. – 112 с.; Майбуров И.А. Налоги и налогообложение: Учебник. – М.: «ЮНИТИ-ДАНА», 2007. – 655 с.; Миляков Н.В. Налоги и налогообложение: Учебник. – М.: «Инфра-М», 2007. – 507 с.; Черник Д.Г. Налоги и налогообложение. Учебник – М.: «МЦФЭР», 2007. – 528 с.; Юткина Т.Ф. Налоги и налогообложение. Учебник. – М.: «ИНФРА-М», 2002. – 576 с.



attention should be paid to the work of the current. N. Assessing the role of taxation in the development of small businesses in the economy, Zotikov emphasizes the need to study and adapt the best foreign practices of tax incentives for small businesses, and notes that the taxation system in top countries by GDP is developing in the direction of maximizing, simplifying and preventing complex tax schemes². Russian economist K. Neopulo argues that the growth rates of employment in Russia and the share of the small and medium-sized business sector in the economy in GDP are lower than established in political documents such as the strategy for the development of small and medium-sized businesses until 2030 and the national project "support for small and medium-sized businesses and individual entrepreneurship initiative", which. The author proposes a number of measures to stimulate entrepreneurship, including "accelerating the development of micro and small enterprises through the development of technoparks and business incubators" and supporting small agricultural enterprises that are becoming "growth points in rural areas."³. Among the measures of financial support is the improvement of the application of tax incentives, taking into account international experience.

The purpose of this study is to analyze and summarize international experience in using tax incentives for SMEs at the national and local levels, as well as to determine the feasibility of their application in the national economy. To achieve this goal, various research methods (systematic analysis and synthesis, comparison, grouping, logical generalization, etc.) were used, and the following objectives were solved:

- Based on a review of industry-specific literature and analytical materials in OECD countries, as well as materials from small business support websites, approaches to tax incentives for small and medium-sized businesses at the national and regional levels were systematized;
- The possibilities and conditions for implementing the best international practices on tax incentives for small businesses in the national economy have been identified.

² Zotikov N.Z. Роль налогообложения в развитии малого бизнеса в Российской Федерации // Вестник Евразийской науки. 2020. Т. 12, № 2. С. 41.

³ Неопуло К.Л. О необходимости совершенствования государственной поддержки малого и среднего предпринимательства как фактора повышения предпринимательской активности малого бизнеса // Путеводитель предпринимателя. 2020. № 13(1). С. 137–145. DOI: 10.24182/2073-9885-2020-13-1-137-145

In 2021, S. Bogachev and A. Gurnak studied the regulation of taxation of the development of small businesses abroad⁴, The OECD countries that have developed have noted that they use various tax incentive tools to address tax issues as part of the formulation and implementation of balanced tax policies, including:

- reducing the income tax rate;
- exemption from value added tax (VAT) and application of differentiated rates;
- simplified accounting and reporting systems;
- incentives for reinvestment of profits in capital assets;
- partial reimbursement of research and development (R&D) costs for the creation of new competitive industrial products.

The means of tax benefits provided apply regardless of the industrial affiliation of a small business entity; however, E. Filonova, L. Yukhnovets and B. As Gladusha noted, EU countries use "differentiated tax rates for different types of small businesses."⁵. In turn, I. Logaeva and S. Gudkov⁶, L. Moiseeva⁷, A. Teterkina⁸, D. Erendzenova, S. Akieva, T. Arbunova, A. Kukueva va A. Darmaev⁹ They consider various tools

⁴ Богачев С.В. Налоговое регулирование развития малого предпринимательства: зарубежный опыт // Концепции и модели интенсификации предпринимательской деятельности: мировые, национальные и региональные тренды: материалы IX Международного научного конгресса. Москва: Издательско-торговая корпорация «Дашков и К», 2021. С. 53–60

⁵ Филонова Э.А., Юхновец Л.Ю., Гладуша Б.В. Налоговое стимулирование малого и среднего предпринимательства: зарубежный опыт // Управление и экономика в XXI веке. 2017. № 1. С. 24–29.

⁶ Логаева И.Г., Гудков С.В. Государственное регулирование и поддержка субъектов малого и среднего агробизнеса в зарубежных странах // Проблемы экономики (сборник научных трудов Белорусской ГСХА). 2014. № 1. С. 104–112.

⁷ Моисеева Л.А. Налогообложение сельского хозяйства за рубежом // Научно-методический электронный журнал «Концепт». 2015. Т. 13. С. 221–225.

⁸ Тетёркина А.М. Мировой опыт стимулирования инновационного развития сельского хозяйства налоговыми инструментами // Проблемы экономики (сборник научных трудов Белорусской ГСХА). 2012. № 2(15). С. 151–160.

⁹ Эрендженова Д.Б., Акиева С.А., Арбунова Т.В. и др. Практика развития инновационных процессов в агропромышленном комплексе: зарубежный подход //



of state support for small businesses in the agro-industrial complex, including tax incentives. They also emphasize that promoting small entrepreneurship in the agricultural sector is of great importance for solving the problems of increasing employment in rural areas and rationally using resource potential. In many European countries, small-scale agribusiness ensures the sustainable development of rural areas and contributes to the conservation of land resources. An effective mechanism for increasing the competitiveness of small and medium-sized agricultural producers and agricultural producers is the development of cooperation, which allows rational use of resources and production infrastructure, eliminates intermediaries in the transportation and sale of products; promotes the growth of employment; ensures the introduction of innovations and modernization of equipment. In the European Union, processing cooperatives that process and package agricultural products from agricultural producers dominate. International Finance Corporation¹⁰ and according to the expert group of the two largest agricultural coordinating organizations of the European Union, COPA and COGECA, processing cooperatives occupy an important segment of the agricultural market: in Denmark – 9/10 of the dairy, butter and cheese market; in Sweden and Finland - about 4/5 of the meat and dairy market. In France, recycling and marketing cooperatives account for three-fifths of agricultural product sales (including two-thirds of grain and pork sales and half of milk sales), while two-fifths of food industry products fall under the contribution of recycling cooperatives. In Germany, where credit and agricultural cooperatives are combined, cooperatives provide one-third of farmers' needs for machinery and equipment and two-fifths of their fuel needs; Cooperative associations account for four-fifths of the milk trade, half of the grain and vegetable trade, and one-third of the pork, beef, and fruit trade. Since 2014, the countries of the European Union have been introducing a special support regime for small businesses in the agro-industrial complex, which cannot compete with large enterprises in the tax system if small agro-business entities are not encouraged by the state.

Вестник Алтайской академии экономики и права. 2019. № 2-2. С. 384–388.

¹⁰ Scaling Up Access to Finance for Agricultural SMEs Policy Review and Recommendations. The report under the overall guidance of Peer Stein and Susanne Doras. International Finance Corporation, 2011. 84 p.



Table 1.

Tax tools used to promote the development of small agribusiness in EU countries

Nº	States	Tax incentives for small agribusinesses
1.	Germany	To encourage activities aimed at increasing the production efficiency and technical improvement of small agribusiness enterprises, accelerated depreciation tax benefits are provided: up to 50 percent of the value of equipment can be written off during the first year, and up to 80 percent during the next 3 years
2.	Spain	Exemption from property tax
3.	Italy	For the first 10 years from the moment of the establishment of cooperatives for the primary processing of agricultural products, legal entities are exempt from paying income taxes and local income taxes; after 10 years, the local profit tax rate is 15 percent
4.	Portugal	Exemption from corporation tax, capital tax, and construction tax if the real estate is used for offices and business activities
5.	Poland	Tax exemption for equipment modernization activities owned for more than 5 years
6.	France	Exemption from profit tax on transactions with third parties in the amount of up to 20% of the profit tax base within the framework of the general regime

Source: Prepared by the author based on Internet information.

As shown in Table 3, tax incentives are used at both the national and local levels to encourage small agricultural businesses. In addition to the benefits within the general tax regime, simplified regimes are used at the national and regional levels, which use presumptive taxes to reduce the burden of corporate income tax in the EU countries and support small businesses, including small agribusinesses. Regional taxes are determined based on the geographic and

demographic characteristics of the area. Estimated taxes under the simplified taxation scheme are imposed on businesses that meet the relevant criteria and are classified as small businesses and are exempt from corporate income tax. Corporate income tax will be replaced by a presumptive tax, which will provide a taxable base in addition to profit, in particular, annual income (loss).

Table 2.

Simplified tax regimes for small businesses applied abroad at the national and regional levels (the presumed tax)

National level (activities)		Regional level (geographical location)	
France	Non-VAT microfirms with annual income of up to 82,000 euros (sales) and up to 32,900 euros (services) use a simple rate, while taxable income is equal to 29% and 50% of annual income, respectively. For self-employed individuals, the monthly tax is calculated as a percentage of income: 1% - trade; 1.7% - services; 2.2% - professional services	Austria	Agriculture and forestry in the Alps: individuals - entrepreneurs with assets worth less than 130,000 euros. Taxable income is calculated as revenue (including VAT) for the year, with a portion (70-80%) of annual expenses deducted, depending on the type of activity, the size of the land plot, and the location of the place of sale of the product
South Korea	Small and medium-sized	Poland	Microenterprises (small



	businesses investing in innovation and assets can apply an investment tax credit to 3 to 10 percent of their capital expenditures to improve productivity and energy efficiency		businesses and private entrepreneurs in the service sector, with up to 5 employees) pay taxes according to a tax card, which is determined by the type, size and number of the population of the settlement where the enterprise is located.
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Source: Prepared by the author based on Internet information.

Optimization of the tax system does not require special tax regimes. Therefore, most developed countries tax small businesses on a general basis, providing targeted tax incentives for specific types of activities or business entities. As for the two-tier tax incentive system, which simultaneously encourages foreign (foreign) investment in small and medium-sized businesses at the national and local levels, it is used in individual OECD countries (Table 3).

Table 3.

Experience of the Organization for Economic Cooperation and Development (OECD) countries in tax incentives for foreign investment in the small and medium-sized business sector

States	Tax credits	
	National level	Regional level
USA	Exemption from profit tax for reinvestment	Exemption from real estate tax
Canada	Tax incentives of 10 to 50 percent for investments, depending on the location of the small enterprise.	
France	Accelerated depreciation	Exemption from local taxes
Singapore	VAT tax holidays for 5 years	Tax holidays for property tax for 5 years; tax credit and application of reduced profit tax rates in disadvantaged areas
South Korea		

Source: Prepared by the author based on Internet information

It is important to note that both local tax incentives (property, real estate, and land) and tax incentives based on geographic location are used at the regional level. Thus, based on the analysis and generalization of the above data, it should be noted that each country uses its own set of preferences, the balance of which depends on the priorities of government policy, on the specifics of regional and socio-economic development, as well as on the goals and objects of incentives. In addition, the most preferred areas of tax relief, both domestically and abroad, are: optimization of cash flow, stimulating demand, increasing investment attractiveness and lowering the income tax rate to maintain competitiveness; increasing tax incentives for research and development, which provide additional incentives for the development of investments in unstable economic conditions; optimization of indirect taxes to maintain demand by lowering the cost of goods and services.

CONCLUSION

Summarizing the experience of foreign countries in developing a tax system for small businesses, it can be noted that OECD countries have mechanisms for preferential taxation of small businesses. It is very difficult to assess their effectiveness, since in each specific case the tax system acts only as an element of a comprehensive mechanism for financial support for small businesses. However, the regional aspects of tax incentives for small businesses deserve special attention, on the one hand, due to the geographical location and sustainable development of the region, and on the other hand, due to the degree of financial independence of regional and local authorities in the tax sphere. M.V. As Gracheva's research shows [5], Belgium, the United States, Canada and Spain have broad tax autonomy (local authorities have the authority to set tax rates and tax exemptions), while



Hungary, the United Kingdom, Denmark, Italy, Luxembourg, the Netherlands, Portugal, France, the Czech Republic, Sweden and South Korea have moderate tax autonomy (power to set tax rates or tax exemptions). When justifying the possibility of applying the tax practices of foreign countries in applying tax incentives for small businesses in the national economy of the Republic of Uzbekistan, these circumstances should be taken into account.

It should also be noted that the use of the experience of foreign countries in providing tax incentives for small and medium-sized businesses in the national economy requires special approaches to assessing the impact of tax instruments used in the tax system on the development of small businesses. This approach is based on Yu. Vertakova and T. Feoktistova [4], E. Currants are described in the works of [13]. The authors use methods for quantitative and qualitative assessment of indicators, including expert technologies. They use the results of statistical observations and information from official sources at the federal and regional levels. As a result, the development trends of small businesses over several years will be identified, and the impact of using tax instruments to stimulate the development of small businesses will be assessed on a nationwide scale. It makes sense to formalize these approaches and use them to predictively assess the potential for applying the best foreign practices on tax incentives for small businesses in the country. In this case, it will be necessary to take into account the availability and possibilities of forming and using information databases, the comparability of data, as well as the specific features of the socio-economic development of the country's regions. In the course of the study, we would like to focus on the feasibility of a differential approach to tax incentives for producers and processors of agricultural products used in the European Union. This differentiated approach also provides for the consideration of the interests of participants in the process of organizing and managing cluster associations, including state and local government bodies, since it directly affects the level of employment, replenishment of local budgets and solving issues of socio-economic development of rural areas.

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