



ISSUES OF IMPROVING THE TAXATION AND ADMINISTRATION OF
VALUE-ADDED TAX FOR SMALL BUSINESSES

Toshtemirov Tulkin Toirjonovich

*Independent applicant of the Banking and Finance Academy of the Republic of Uzbekistan ORCID:
0009-0001-2983-2017 Tashkent, Uzbekistan*

Abstract: *The thesis examines the current state of value-added taxation of small business entities, problems related to administration, and their positive and negative impact on financial and economic activities. At the same time, recommendations were given on improving and simplifying the administration of value-added tax.*

Keywords: *tax policy, value added tax, taxpayer, tax object, tax base, tax rate, tax benefit, tax administration.*

If we look at the history of value-added tax, the idea of its introduction began to appear in the 20th century.

In particular, German industrialist Wilhelm von Siemens proposed the introduction of a value-added tax to solve the problem of "cascade taxes." In his opinion, taxes levied at various stages of production and distribution disrupted the market mechanism and increased the price of final goods for consumers.

Additionally, American economist and politician Thomas S. Adams advocated for introducing a value-added tax in the US Congress in the 1920s. He argued that this tax would be a more effective and fair way to increase state revenues, but despite his convincing arguments, the proposal was rejected by populist politicians for political reasons.

Initially, the value-added tax was first introduced in France only in 1954, it was tested in the Ivory Coast colony, and after the experiment was deemed successful, it was introduced throughout France in 1958. VAT (added value tax) is an indirect consumption tax levied by the state at each stage of production and sale of goods and services, starting from raw materials and ending with the final consumer.

The purposes of introducing the value-added tax are:

- ensuring the stable and regular receipt of funds to the state budget,
- regulation of domestic and foreign trade,
- stimulating economic growth,
- ensuring social justice.

In the Republic of Uzbekistan, value-added tax is also one of the main types of taxes. As of December 1, 2025, 238.9 thousand taxpayers (43% of the total number of taxpayers) are registered as value-added tax payers in the Republic of Uzbekistan, and the value-added tax paid by them is about 24% of the state budget revenues⁶.

⁶ Ўзбекистон Республикаси иқтисодиёт ва молия вазирлиги Бюджетномаси (https://api.mf.uz/media/filestore/2026-2028-yillar_uchun_Budjetnoma.pdf).



In order to reduce the tax burden on small business entities in the Republic of Uzbekistan and create a favorable business environment, value-added tax rates are being reduced and optimized year by year. Additionally, value-added tax is being abolished for certain sectors and goods.

In particular, from January 1, 2023, the value-added tax rate will be reduced from 15% to 12%, and the legislation stipulates that it will not be increased until January 1, 2028.

In particular, from January 1, 2023, the value-added tax rate will be reduced from 15 to 12 percent, and the legislation stipulates that it will not be increased until January 1, 2028⁷.

However, at present, there is a trend in the world to increase the value-added tax rate with an increase in state budget expenditures.

In particular, starting from 2026, the value-added tax rate in Kazakhstan is increasing from 12 to 16 percent, and in the Russian Federation - from 20 to 22 percent⁸.

This indicates that, against the backdrop of the ongoing tax reforms in the region, Uzbekistan's tax policy is being pursued strategically correctly, which serves to strengthen investment attractiveness.

The application of the zero value-added tax rate has also been expanded.

In particular, in order to reduce the tax burden on the agricultural sector and stimulate the production of agricultural products, from January 1, 2026, value-added tax on the turnover from the sale of goods produced by agricultural producers (except for cotton and grain) will be levied at a zero rate.

At the same time, there are a number of subtle changes in the administration of value-added tax for small business entities.

That is, the mechanism for working with high-risk invoices has changed:

- at high risk, the buyer can pay value-added tax as a tax agent to receive a discount;
- high-risk invoices are not credited before tax payment;
- at low risk, the usual accounting procedure is applied.

For example, it has been established that tax authorities have the right to cancel or adjust the accounting for invoices classified by the buyer as low risk if there is evidence that the amount of tax taken into account was formed as a result of a fraudulent or deceptive transaction.

Consequently, even if the invoice is green (low risk level), subsequent offsetting is still impossible, if the counterparty subsequently becomes a suspicious counterparty.

From the foregoing, it can be concluded that, at a time when there are problems related to ensuring the stability of state budget revenues, it is necessary to revise the tax base and benefits in order to maintain the current value-added tax rate unchanged and prevent disruptions in the chain of its collection.

It is also advisable to optimize the administration of value-added tax for small business entities, the timely return of amounts taken into account by them.

⁷ Ўзбекистон Республикаси Солиқ кодекси (<https://lex.uz/mact/4674902>).

⁸ https://nalov.gov.ru/rn27/news/tax_doc_news/16587614.



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