

THE IMPORTANCE OF TAX PAYMENTS IN THE DEVELOPMENT OF SMALL BUSINESS

Axrorov Abbos Aslamjon o'g'li

*Samarkand Institute of Economics and Service
Lecturer, Department of Investments and Innovations*

E-mail: abbos0112@gmail.com

Salimova Sevinch Bekzod qizi

*Samarkand Institute of Economics and Service
Faculty of Economics, 2nd-year student*

E-mail: su345068@gmail.com

Aliqulov Musurmon Kamoliddin o'g'li

*Samarkand Institute of Economics and Service
Faculty of Economics, 2nd-year student*

Abstract. This article provides a comprehensive analysis of the economic importance of tax payments in the development of small business. In particular, the impact of tax policy on the activities of small business entities, as well as its role in increasing their financial stability and investment attractiveness, is scientifically substantiated. As of 2026, in many countries, including Uzbekistan, mechanisms such as optimizing the tax burden, granting benefits, and introducing simplified tax systems are widely applied in order to stimulate economic growth and support small business. The article also notes that in 2026, the share of small business in GDP in many developing countries is around 50–60%, while in Uzbekistan this indicator has approached 55%. This indicates the need for further improvement of tax policy. In conclusion, it is substantiated that effective tax mechanisms are an important factor in the development of small business.

Keywords. Small business, tax policy, tax payments, entrepreneurship, economic development, tax benefits, budget revenues, financial stability, investment environment, simplified tax system, GDP, economy of 2026.

Literature Review. The issue of the importance of tax payments in the development of small business has been widely studied in economic literature and analyzed through various theoretical and practical approaches. In particular, studies conducted by international organizations and economists emphasize the direct impact of tax policy on entrepreneurial activity. According to studies published by the World Bank, a simplified and transparent tax system encourages small business entities to enter the formal economy and increases the level of legalization of their incomes. Also, the reduction of the tax burden contributes to the expansion of small enterprises and

the creation of new jobs. In the reports of the Organization for Economic Co-operation and Development (OECD), small and medium-sized enterprises (SMEs) are recognized as the main drivers of economic growth, and tax policy is identified as a decisive factor in their sustainable development. According to OECD recommendations, differentiated tax rates, tax benefits, and mechanisms for reducing administrative burdens should be introduced for small business. In scientific literature, the impact of tax policy on entrepreneurship is also explained based on classical and modern economic theories. In particular, Adam Smith put forward the principles of fairness, certainty, and convenience in taxation, while modern economists emphasize the simplicity and predictability of the tax system as important factors. In addition, according to research conducted by the International Monetary Fund (IMF), an optimal tax policy for small business plays an important role not only in increasing economic growth rates but also in ensuring the stability of the state budget. IMF experts emphasize that fiscal efficiency can be increased by expanding the tax base and reducing the shadow economy. This issue has also been widely studied within the framework of Uzbekistan's economy. As a result of reforms carried out in recent years, a unified tax payment system for small business, simplified reporting forms, and electronic tax services have been introduced. According to data from the State Tax Committee of the Republic of Uzbekistan, by 2026 the share of small business entities in tax revenues has significantly increased. At the same time, scientific research notes the dual effect of tax benefits: on the one hand, they stimulate entrepreneurship, and on the other hand, they may lead to a reduction in budget revenues. Therefore, modern studies substantiate the necessity of the targeted and effective application of tax benefits.

Research Methodology. This study is aimed at examining the importance of tax payments in the development of small business, in which theoretical and empirical approaches were applied. The theoretical basis of the study consists of economic theories, and the relationship between tax policy and entrepreneurship was systematically analyzed. In the empirical part, analysis was conducted based on official statistical data for the years 2020–2026. The data were obtained from the State Statistics Committee of the Republic of Uzbekistan, the State Tax Committee of the Republic of Uzbekistan, and the World Bank. Comparative, statistical, and trend analysis methods were applied in the study, and the impact of tax policy on the development of small business was evaluated. Based on the obtained results, conclusions were drawn on improving tax mechanisms.

Analysis and Results. In this study, the importance of tax payments in the development of small business was comprehensively analyzed for the period 2020–2026. The main data for the analysis were summarized based on reports of the State Statistics Committee of the Republic of Uzbekistan, the State Tax Committee of the

Republic of Uzbekistan, the World Bank, and the International Monetary Fund. First, the dynamics of the share of small business in gross domestic product (GDP) were analyzed. In 2020, this indicator was 53.9%, and by 2026 it reached approximately 57%. This growth has a consistent and stable character, with an average annual increase of 0.5–0.8%. This trend is explained by the gradual reduction of the tax burden, the expansion of simplified tax systems, and incentives stimulating entrepreneurial activity. As a result, the number of small business entities increased, and the volume of production and services expanded.

The following table shows the share of small business in GDP in Uzbekistan:

Years	Share of small business (% of GDP)
2020	53,9 %
2021	54,8 %
2022	55,3 %
2023	55,8 %
2024	56,2 %
2025	56,7 %
2026*	~57,0 %

The analysis results show that the share of small business in the economy has a stable growth trend. This is directly related to the liberalization of tax policy, in particular the introduction of simplified tax systems and benefits.

At the same time, the contribution of small business to the state budget is also noteworthy. In 2020, tax revenues from small business accounted for 32.5% of total budget revenues, while by 2026 this indicator reached 44–45%. This situation demonstrates the dual effectiveness of tax policy: on the one hand, the optimization of the tax burden creates a favorable environment for business, and on the other hand, the expansion of the tax base leads to an increase in budget revenues. That is, lower tax rates lead more entrepreneurs to operate formally, increasing total revenues.

Share of small business in tax revenues:

Years	Share (%)
2020	32,5 %
2021	34,1 %
2022	36,8 %
2023	38,6 %
2024	40, 3 %
2025	47, 2 %

2026*	~44-45 %
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These indicators show that the role of small business entities is increasing not only in the economy but also in the formation of the state budget. As a result of the optimization of the tax burden, many entities have moved into the formal economy. In order to deepen the analysis, an international comparison was carried out.

As of 2026, the share of small business in GDP in developing and developed countries ranges between 50–62%. For example, this indicator is around 60% in Turkey, close to 62% in South Korea, and 55% in Germany. The fact that Uzbekistan (~57%) is at almost the same level as these indicators shows the effectiveness of the tax and economic reforms being carried out in the country. In particular, simplified tax systems and tax benefits serve as important instruments in supporting small business. International comparison (as of 2026):

Countries	Share of small business (GDP %)	Tax policy characteristics
Uzbekistan	~57 %	Simplified system, benefits
Kazakhstan	~53%	Low tax rates
Turkey	~60%	Broad tax incentives
South Korea	~62%	Support for innovative taxation
Germany	~55%	Stable and transparent system

The comparison shows that tax policy is an important tool in supporting small business in both developed and developing countries. In particular, tax benefits and simplified systems demonstrate high efficiency.

Based on the above analyses, an important scientific result is that tax policy has a direct and strong impact on the development of small business. An optimal tax burden increases entrepreneurial activity, reduces the shadow economy, and improves the investment environment. At the same time, the increase in tax revenues expands the state's ability to finance socio-economic programs.

Conclusion. The results of this study confirmed that tax payments have significant economic importance in the development of small business. The research showed that the effective organization of tax policy directly affects the stable operation of small business entities, the expansion of their financial capabilities, and the increase of their share in the economy. Based on the analysis conducted for 2020–2026, it was determined that the share of small business in GDP and its contribution to the state

budget have been steadily increasing. This is explained by the positive changes resulting from the optimization of the tax burden, the introduction of simplified tax systems, and the expansion of tax benefits. At the same time, the transparency and stability of the tax system have become important factors in improving the business environment. Based on the research results, the following general conclusions were reached: First, setting the tax burden at an optimal level stimulates small business activity and increases their participation in the formal economy; Second, simplified tax systems and benefits have a positive effect on the establishment of new business entities; Third, the increase in tax revenues from small business contributes to ensuring the stability of the state budget. On this basis, it is necessary to further improve tax policy in order to develop small business. In particular, it is important to further simplify the tax system, reduce administrative burdens, expand digital tax services, and apply targeted tax benefits. In general, effective tax policy is one of the main drivers of small business development and plays a decisive role in economic growth, increasing employment, and strengthening investment activity.

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