

IMPROVEMENT OF THE PROCEDURE FOR CLASSIFYING SELF-EMPLOYED INDIVIDUALS AS SMALL BUSINESS ENTITIES AND THEIR TAXATION

<https://doi.org/10.5281/zenodo.17926187>

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Abstract

The article conducted research on the taxation of self-employed individuals, proposed classifying them as small business entities, incentivizing them through tax mechanisms, and formulated conclusions.

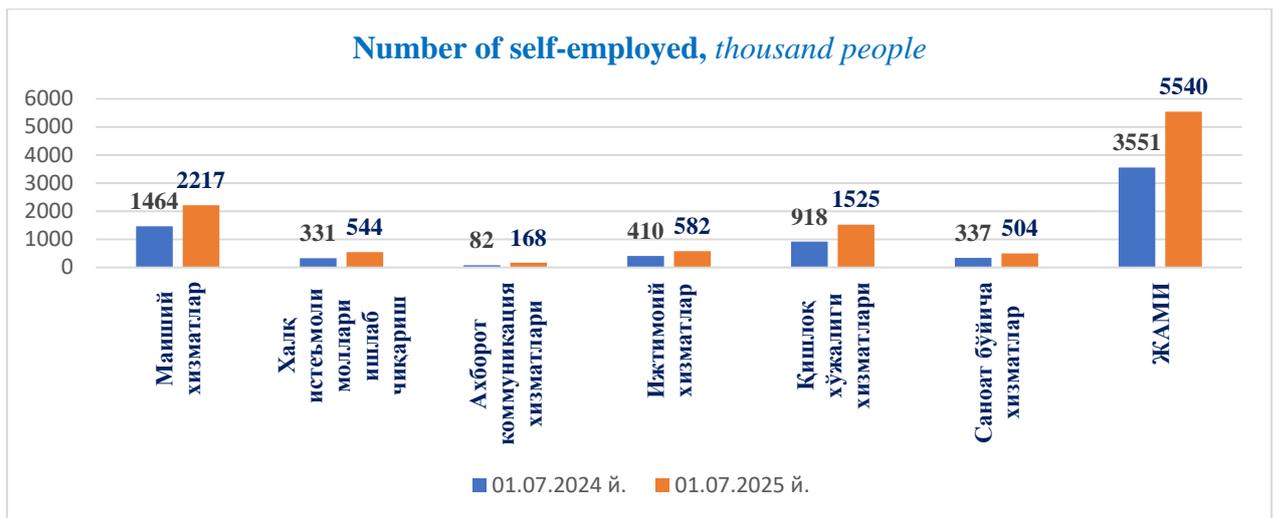
Keywords

self-employed persons, small business entities, individual entrepreneur, microfirm, small enterprise, tax, turnover tax, tax benefit, tax regime.

Introduction. As of July 1, 2025, the number of self-employed exceeded 5.5 million people, an increase of 56% (more than 2 million people) compared to the same period last year. The sectors with the highest growth rates were household services - 51.4% (753.1 thousand), agricultural services - 66.1% (606.9 thousand), production and services - 64.4% (213.2 thousand).

Also, the number of citizens registered for passenger transportation by passenger cars reached 777.1 thousand, of which 184.2 thousand were registered during the first six months of 2025.

Notably, 58% of self-employed individuals are men and 42% are women.



Analysis of literature on the topic.

A.N. Pokida and N.V. Zibunovskaya, in their article "Self-employment in the modern labor market," considered the specifics and relevance of self-employment in modern economic conditions, analyzed the advantages and disadvantages of self-employment, its role in job creation, and its impact on the economy as a whole¹⁷.

In the article by M.V. Grenaderova and A.K. Prokofieva "Taxes for self-employed individuals: Russian and Foreign experience," one can see similarities and differences in the legal regulation of the activities of self-employed individuals in Russia, Belarus, and the USA. In particular, in Russia, due to the preferential tax regime, the tax is paid voluntarily; in Belarus and America, this is a tax obligation. In any case, the presence of this institution of tax law in other countries allows us to take advantage of the positive experience of foreign countries, as well as to implement our own tax model as correctly as possible¹⁸.

Research methodology. The article examines the research of economists and regulatory legal documents related to determining the categories of business entities using methods of scientific abstraction, analysis, synthesis, induction, and deduction.

Analysis and results. In accordance with the Decree of the President of the Republic of Uzbekistan dated June 8, 2020 No. PP-4742 "On measures to simplify state regulation of entrepreneurial activity and self-employment," a list of types of activities (works, services) that self-employed persons can engage in from July 1, 2020 has been formed¹⁹.

¹⁷ <https://cyberleninka.ru/article/n/razvitiye-samozanyatosti-na-sovremennom-rynke-truda>

¹⁸ <https://vaael.ru/article/view?id=1087>

¹⁹ <https://lex.uz/docs/4849607>

Also, from April 1, 2024, in accordance with the Tax Code of the Republic of Uzbekistan, the income of self-employed individuals, received as a result of labor activity, but not exceeding one hundred million soums during the tax period, is not included in the total income of individuals. In this case, income exceeding one hundred million soums during the tax period is subject to taxation in the manner established for individual entrepreneurs.

It should be especially noted that from July 1, 2020, to March 31, 2024, the income of self-employed individuals received as a result of labor activity was completely exempt.

From January 1, 2026, the turnover tax rate for self-employed individuals with an annual turnover of up to one billion soums is set at 1 percent.

In this regard, the procedure for exempting self-employed individuals whose income from the sale of goods (services) during the tax period does not exceed 100 million soums from paying turnover tax is canceled.

At the same time, the individual voluntarily pays social tax in the amount of one basic calculated value, regardless of the actual time worked as a self-employed individual, and based on this, the amount of income for calculating the pension is determined in the manner established for individual entrepreneurs.

According to tax authorities, only 336,000 self-employed individuals (13%) paid social tax in 2024²⁰.

When studying foreign experience, the income of self-employed individuals is also subject to taxation.

Conclusion. As a result of the analysis, it was established that the income of self-employed individuals is taxable, but they cannot fully use the benefits and preferences provided for small business entities.

Therefore, it is advisable to classify self-employed individuals as small business entities and create opportunities for self-employed individuals to participate in public procurement.

In addition, it is necessary to critically review the list of types of activities (works, services) that self-employed individuals can engage in and exclude from the list the types of activities that individual entrepreneurs can engage in.

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²⁰https://www.norma.uz/qonunchilikda_yangi/uzini_uzi_band_qilgan_shahslar_hozirgi_holat_va_echimini_kutaetgan_masalalar

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