

Ways of Improving the Tax Mechanism of Uzbekistan'S Free Economic Zones

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Annotation

The article considers issues related to the improvement of the tax mechanism of the activities of the free economic zones of Uzbekistan. The theoretical and practical analysis was carried out and conclusions were drawn to improve the performance of the FEZ.

Keywords: free economic zones, taxes, foreign investment, socio-economic development, taxes, tax incentives.

Free economic zones are firmly integrated into world economic practice and operate in various countries as a factor of accelerated economic growth due to intensification of international trade turnover, mobilization of investments, deepening of integration economic processes.

To date, Uzbekistan is carrying out large-scale work on the establishment and development of free economic zones (FEZ), giving impetus to the development of individual territories by attracting both its own and foreign investments. Over the past three years, 30 governmental and interdepartmental documents have been adopted to stimulate investment activities in the Republic.

According to the Head of State Sh. Mirziyoyev, "To attract foreign investment, we need to take measures to demonstrate the investment potential of our country. In this sphere, it is necessary to solve organizational and legal issues of accommodation of participants of free economic zones and small industrial zones, granting them privileges and preferences. "

It should be noted that today there are only 21 free economic zones in Uzbekistan. 69 projects worth about 512.4 million dollars have been launched in their territories in textile, chemical, pharmaceutical, food, electrical, automotive, and construction materials industries. All this has increased the volume of attraction of both foreign and own investments in the economy of the regions and the country as a whole.

Despite the good macroeconomic indicators of recent years, the issue of further diversification and modernization of the economy, in particular the structure of an industry in more technological and capital-intensive directions, remain relevant.

To stimulate the development of sectors of the national economy and the development of regions, the State uses several different economic instruments. The most effective among them are extensive tax and administrative incentives, comprehensive support, and guarantees by the State of investors' rights, the offer of a certain set of preferences to investors, various forms of subsidies in the form of low prices for utilities, etc.

Despite the measures taken to ensure macroeconomic stability in general, the level of development of the regions given objective and subjective reasons is still different. In terms of volume of GRP per capita among regions Navoi region occupies the first place, the leading regions are also Bukhara, Tashkent, Kashkadarya region, and the city of Tashkent. The lowest rate of GRP per capita is in the Namangan region and the Surkhandarya region.

The following factors contributed to this differentiation in socio-economic development:

- Insufficient consideration of territorial characteristics in targeted programs, sets of measures to solve social problems;

- High level of centralization of regulation of social and economic processes, financing of investment programs and projects in the social sphere;
- Weak local government initiative in maintaining social sustainability due to resource constraints.

The creation of free economic zones, taking into account the potential of each region, in which the advantages of investment will be properly provided and the necessary infrastructure will be formed, will assist in the realization of the development objectives of the regions. In this regard, the FEZ can serve as a tool for equalizing the level of economic development of different regions of Uzbekistan.

Job creation in economic development plays an important role. On the one hand, they affect GDP growth, on the other - they allow them to maintain a certain standard of living. Here it is necessary, first of all, to take into account the number of the working-age population and those wishing to work.

The determining factor in the employment of the Republic is demographic processes, which lead to a relatively high increase in the labor force, a younger age structure of the population, and, as a result, an increase in a large share of the labor force, characterized by professional lack of readiness and lack of labor experience.

Currently, only 69 investment projects totaling \$512.4 million have been implemented in the SEZ territories, including foreign direct investment of \$290.7 million. As a result, 4,719 jobs were created.

In 2017, FEZ participants produced products worth 1.76 trillion sums with an increase of 29.4% compared to the previous year, including export - 42.8 million dollars (an increase of 10.9%). At the same time, the forecast parameters for production and export are 89.2% and 60.6%, respectively.

To date, a 244 project worth \$1,527 billion (including \$413.9 million in foreign investment) has been launched. As a result of the projects, it is planned to create 21,663 new jobs.

To create the most favorable conditions for the further development of free economic zones in the Republic as an essential factor in expanding the attraction of foreign direct investment for the creation of new high-tech industries, More active involvement of the regions of the Republic in the development of production of modern competitive export-oriented finished industrial products, To ensure the accelerated development of production, engineering, and communication, road transport, social infrastructure and logistics services, Presidential Decree No. 4853 of 26 October 2016 on additional measures to revitalize and expand the activities of free economic zones was adopted.

At the same time, Presidential Decision No. 3175 of 7 August 2017 on measures to enhance coordination and accountability of ministries was issued. Departments, state authorities on the ground for the effective functioning of the activities of free economic zones, " Which provides for the establishment of the Fund for Reconstruction and Development of Uzbekistan, which will open credit lines to authorized commercial banks in the total amount of up to 100 million US dollars to finance investment projects implemented in the territories of the FEZ of the country.

Also, a special interdepartmental commission has been established to coordinate the activities of FEZ and small industrial zones. Its tasks were to ensure clear coordination of authorized bodies to provide them with practical assistance in solving organizational and technical issues related to the operation and development of the FEZ.

The Commission should ensure prompt action to prevent bureaucracy and red tape on their part, as well as proposals to impose strict liability measures on guilty officials.

To create the most favorable business environment for attracting foreign and domestic investments in the creation of modern high-tech industries for deep processing of mineral and

agricultural resources, Ensuring the production of competitive quality products with high added value, demanded in foreign markets, And the integrated and efficient use of the product and resource potential of the regions of the Republic, On this basis, the President adopted Presidential Decision No. -3356 of 25 October 2017 on additional measures to increase the efficiency of the activities of free economic zones and small industrial zones.

According to the adopted Resolution, when amending tax legislation, participants of free economic zones have the right to apply the rules and provisions on payment of taxes and other mandatory payments in force on the date of their registration, except for the rules and provisions of the acts regulating taxation of sub-excite goods.

Since November 1, 2017, the requirement to examine import contracts concluded by business entities - participants of free economic zones, in the authorized capital of which there is no state share, financed by commercial banks following the established procedure has been abolished.

Continuous monitoring of business activities to identify gaps in legislation and take the necessary measures to improve the investment climate is important for improving the efficiency of free economic zones. However, while efforts should be made to create the most favorable legislation possible to encourage investment, national legislation alone was not always sufficient to meet investors' needs.

Based on the theoretical and practical analysis, several conclusions can be drawn regarding the improvement of existing FEZ and the relevance of new ones:

1. The specialization of FEZ in selected production types is important for the creation of an enabling environment and the efficient operation of FEZ. The difference between successful FEZ and unsuccessful examples is the degree of liberalization of activities, the effectiveness of taxation. In other words, FEZs should be a specially designated area outside the scope of Uzbekistan's standard legislation, with more attractive conditions.

2. The need for effective administration is an additional argument for the limited size of FEZ - in a compact territory it is much easier to track whether tax incentives are used for their intended purpose. In other words, the optimal for Uzbekistan is the creation of FEZ according to the territorial rather than functional principle, i.e. tax incentives should be granted in limited areas of the territory, rather than investors throughout the country who meet certain criteria (for example, investing a certain amount of funds).

3. Informing potential investors, carrying out extensive advertising works about the activities of FEZ of Uzbekistan. To attract foreign investment in BMS, more attention needs to be paid to such issues, As the development of the network of information and advisory support of investors, marketing of investment programs and projects, Of interest to Uzbekistan, development of a network of investment offices in foreign countries, Providing services to potential investors to enter the Uzbek market, forming a data bank on investment projects and preparing reference materials on investment conditions, Production of special information publications forming a positive image of Uzbekistan as a country interested in foreign investment;

Taking into account these and other factors of success of free economic zones, regular monitoring of positive experience of FEZ operation and, Accordingly, continuous improvement of the legislation, management system and organization of the activities of the FEZ, Policies to attract investors and assist them in placing production in the territory of FEZ, Will improve the functioning of existing FEZs and provide the necessary experience for a more rational approach to the creation of new territories with special business conditions.

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