

JAIDE

ISSN : 3031-7355

<https://doi.org/10.61796/JAIDE.v1i6.652>

PROCEDURE FOR TAXATION OF INCOME OF SELF-EMPLOYED PERSONS

Nodira Ashuraliyevna SAFAROVA

Associate Professor of the "Finance" Department of Tashkent State University of Economics, PhD

Tashkent, Uzbekistan

safarova_nodira@tfi.uz*Received: Apr 22, 2024; Accepted: May 29, 2024; Published: Jun 16, 2024;*

Abstract: The article analyzes the scientific-theoretical views on self-employment, its role in ensuring the employment of the population, and the activities of self-employed persons by industry. Also, the procedure for taxing the income of self-employed persons is explained.

Keywords: Entrepreneurial Activity, Self-Employment, Tax Exemption, Taxation, Population Employment.

This is an open-access article under the [CC-BY 4.0](https://creativecommons.org/licenses/by/4.0/) license

Annotation

There are specific aspects of organizing business activities in the world. The wide development of self-employment and entrepreneurial activities of individuals has created the need to reveal the similarities and differences between them. In particular, "self-employment and freelancing are usually defined as one of the forms of entrepreneurship, although there is no clear boundary between these categories, the categories of entrepreneurial activity, self-employment and freelancing are essentially similar and complement each other" [3].

In world practice, scientific research works are being carried out to improve the well-being of the population through self-employment of individuals and to support them through the tax mechanism. In these studies, special attention is paid to the function of tax incentives in the taxation of the income of individuals engaged in entrepreneurial activities. However, important issues related to the lack of a unified approach to taxation of the income of individuals engaged in business activities in the world, and the fact that small businesses, individual entrepreneurs and self-employed persons are not clearly distinguished when choosing a tax regime have not yet found a positive solution.

In world practice, self-employment or freelance activities have been widely developed for many years, and a number of studies have been conducted on their importance in organizing activities and ensuring employment of the population. In particular, Dubina I.N. and others in their studies view freelancing as an intellectual and creative form of self-employment in the new economy. The authors analyze theoretically and practically the period from the initial period of providing employment of the population through self-employment to the present, and emphasize that self-employment is developing as an economic and labor activity, making an increasingly important contribution to the national economy of many countries of the world. Freelance activity is a new integrated form of entrepreneurship and self-employment (intellectual and creative innovative form of individual entrepreneurship), which helps to create and develop innovative technologies, goods and services [3].

Although there is no clear line between self-employment and freelancing, they operate as one

form of entrepreneurship. The categories of entrepreneurship, self-employment and self-employment intersect and complement each other in content, while freelancing is defined as the intersection of the categories of "Individual Entrepreneurship" and "Entrepreneurship" [4].

In contrast to traditional self-employment industries, freelance industries typically employ highly skilled professionals who provide services based on information and knowledge: teachers, IT specialists, architects, engineers, auditors, lawyers, artists, doctors, translators, scientists, writers, and others [5].

A report by the Roosevelt Institute and the Kauffman Foundation outlines the future of the emerging "Bright Economy", predicting the dominant role of the freelancer in the labor market by 2040 and a shift in traditional work patterns [6]. Experts have mentioned several main trends of the new economy. First, the work will be mostly in the nature of numerous but short-term projects carried out by specialists working simultaneously in several companies with irregular working hours. Second, new institutions will be created to reduce economic risks, replacing traditional pensions and health insurance. Thirdly, the active development of freelancer portals is expected, which is a kind of independent organizer that provides information about the demand and supply of freelancer services and allows to perform various operations, plan and account for ongoing freelance projects [6].

The creation of the legal basis of the self-employment system in our country has accelerated scientific research in this regard. In particular, G. U. Ruziev studied the issues of further development of self-employment in ensuring employment of the population. According to the author: "In recent years, self-employment or freelancing is becoming a modern and innovative form of employment. It is proven to be the most optimal measures to develop and increase the income of the population in the conditions of the employment problem and the pandemic.

The concept of self-employed persons is defined in the Regulation "On the procedure for carrying out activities as a self-employed person" approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No.806 of December 23, 2020. According to it: "Self-employed persons - those who independently carry out activities aimed at obtaining labor income, providing services to individuals and legal entities, based on participation in the performance of work with their personal labor, are not registered as individual entrepreneurs, are excluded from consideration of work experience and incentive benefits natural persons registered with the state tax service authorities with the right to use" [2].

Therefore, in our republic, in order to regulate the labor activities of persons who provide themselves with income through self-employment, to create favorable conditions for the implementation of legal labor activities, the types of activities that these persons can engage in, the non-taxation of their income, taking into account the length of service and procedures for granting the right to use incentive benefits were introduced.

PQ-4742 of the President of the Republic of Uzbekistan dated June 8, 2020 "On measures to simplify the regulation of entrepreneurial activities and self-employment by the state" in order to attract more people to entrepreneurship and create additional conditions for the implementation of legal labor activities in our republic. Adoption of Decision No.[1] serves to allow self-employed persons to carry out legal work and legalize their income, and to increase population employment.

World experience and the practice of our country show that today it is important to ensure the employment of the population capable of working in the country. Ensuring the employment of the population has a positive effect on the development of the country's economy, along with increasing their income. At this point, it should be noted that although the official statistics of the number of people who are engaged in various activities without official registration in the republic's economy

and earn income are not clear, in practice the number of such citizens is several hundred thousand people. It is important that the self-employment system is put into practice in the legal organization of these citizens' activities.

Based on this, giving self-employed individuals certain reliefs on taxes and recognizing them as an active population in the economy, creating a guarantee of providing them with age benefits at the expense of making payments to the pension fund serves as a radical change in the system of relations. Most importantly, the number of self-employed people is growing year by year.

The number of self-employed citizens is also increasing across sectors (see Table 1).

Table 1.

**He has occupied himself in the sector of the republic
information about citizens [8]**

Fields	Those who registered in 2023		Total Registrants	
	person	%	person	%
Services in social directions	233 757	14,3	318 701	12,6
Services in the field of industry	147 674	9,0	280 040	11,1
Agricultural services	306 894	18,7	720 462	28,4
Household services	730 680	44,6	936 014	36,9
Production of consumer goods and provision of services	170 967	10,4	214 684	8,5
Information and communication services	47 724	2,9	64 004	2,5
Republic total on	1 637 696	100,0	2 533 905	100,0

The analysis of self-employed citizens in the republic by sectors shows that in 2023, more than 1.6 million people will be newly registered, and their number will be more than 2.5 million.

By the end of 2023, 36.9% of the self-employed are engaged in household services, 28.4% in agricultural services, 12.6% in social services, 11.1% in industrial services, and 8.5% in the production of consumer goods. production and rendering of services, and 2.5 percent were related to information and communication services.

Therefore, the tax exemption of self-employed persons' incomes received as a result of labor activity created an opportunity to legalize the labor activity of many active citizens.

The fact that most of the income-earning population engaged in various activities without official registration in the economy of the republic and legalized their activities through the self-employment system in a short period of time shows how important this system is at the same time. At the same time, the increase in the number of self-employed people who operate using advanced innovative and communication technologies based on professional knowledge is important in increasing the efficiency of this sector.

According to Article 369 of the Tax Code of the Republic of Uzbekistan, "incomes received as a result of labor activity of self-employed persons in accordance with the procedure established by legislation" are not subject to taxation. Based on the changes made to the Tax Code, from January 1, 2024, when the income of self-employed persons exceeds 100 million soums, they will pay tax according to the established procedure for individual entrepreneurs. So, taxation on the income of self-employed persons was established. Incomes of self-employed persons are formed in the database

of the Tax Committee on the basis of information received from external sources.

In this case, it is appropriate to dwell in detail on how taxpayers' incomes are taxed.

It should be noted that when the income of self-employed persons exceeds 100 million soums, only the part exceeding this amount will be taxed, not their income from the beginning of the financial year.

When the income of self-employed persons exceeds 100 million soums, the tax code prescribes taxation according to the procedure established for individual entrepreneurs. According to the Tax Code, individual entrepreneurs with an annual income of 100 million to 1 billion soums must pay turnover tax. For example, the income of a self-employed person this year is 110 million soums. In this case, his income of 100 million soums is not taxed. From the remaining 10 million soums (the part of the income exceeding the established norm) he pays turnover tax at the rate of 4% (400 thousand soums).

According to the decree of the President of the Republic of Uzbekistan dated December 30, 2022 "On measures to categorize the territories of the Republic and introduce a differentiated system of entrepreneurship support" No. PF-287, self-employed who operate in the regions of category 5 and whose income exceeds 100 million soums persons who have paid turnover tax at the rate of 1%.

The turnover tax rate for taxpayers selling goods (works, services) on the electronic trading platform is set at 2%. Based on this, self-employed persons who sold their goods on the electronic trading platform will pay turnover tax at the rate of 2% on the part of their income exceeding 100 million soums.

If the income of self-employed persons exceeds 1 billion soums, they will pay VAT and profit tax. The introduction of the self-employment system serves as an important factor in ensuring the employment of the population and increasing their income. In particular, the tax exemption of self-employed persons makes it possible for them to offer services at low prices.

Although the number of self-employed citizens is steadily growing, the activities of some citizens are still not organized on a legal basis. Based on this, the system of self-employment should be widely promoted. Also, in the list of types of activities that can be engaged in by individual entrepreneurs and in the list of types of activities (works, services) for self-employed persons in the current regulatory legal documents, the existence of overlapping types of activities, the lack of clear criteria between them, causes problems in this regard. In order to overcome these problems, a clear criterion should be established between them.

In the process of extensive development of the digital economy in the country, prioritizing the development of freelance activities as an innovative form of self-employment is important for ensuring employment and increasing income of the population.

References

- [1] Safarova N., Arabova S., "The Importance of Budgetary Organizations in the Implementation of State Socio-Economic Policy and Their Organizational and Legal Foundations". *American Journal of Science and Learning for Development*, vol. 3, no. 1, Jan. 2024, pp. 43-46, doi:10.51699/ajslid.v3i1.3314.
- [2] Safarova N.A. (2023). The experience of developed countries in taxation of individuals engaged in entrepreneurial activities. *International bulletin of engineering and technology*, 3(6), 75–77. <https://doi.org/10.5281/zenodo.8026709>
- [3] Imomkulova, N., & Safarova, N. (2023). Communication policy. *Academic International Conference on Multi-Disciplinary Studies and Education*, 1(5), 85–86. Retrieved from <http://aidlix.com/index.php/us/article/view/466>