

IMPROVING THE PROMOTION OF ATTRACTING FOREIGN INVESTMENTS TO THE NATIONAL ECONOMY THROUGH FISCAL AND TAX POLICY.

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Annotation

In this article, the reform, liberalization and modernization of our country's economy, further deepening of structural changes in the economy, activation of investment activities in the sectors of the national economy, wide attraction of foreign direct investments, effective from them comments on issues of use are presented. Tax incentives for modernization, production, attraction of foreign direct investment, a list of economic sectors with tax incentives and proposals and recommendations for further development of this sector are presented.

Keywords

investment activity, investment climate, private foreign direct investment, customs benefits, tax benefits, diversification, investment promotion, financial incentives.

Foreign direct investment is one of the driving forces in the current globalization process and serves as a defining element of the development of the modern world economy. DFI helps to restructure national economic sectors at the regional and global level, thereby ensuring a more effective integration of the national economy into the world economy than trade. DFI acts as a catalyst for economic growth and development, providing economies in transition with not only development financing, but also access to new technologies, good governance, and international markets. In addition, DFI integrates production and service systems with each other. In this way, DFI can play a key role in the development of transition economies and their rapid integration into the world community.¹⁵⁹

Today, a comprehensively justified and thoughtful course towards reforming, liberalizing and modernizing our country, primarily our economy, diversifying its structural structure is a strong barrier that protects us from the negative

¹⁵⁹ <https://www.imf.org/external/np/eu2/kyrgyz/pdf/isayev.pdf>

consequences of crises and other threats. Created durable and reliable means of protection.

Further deepening of structural transformations in the economy, intensification of investment activity of enterprises, wide attraction of foreign investments, primarily foreign direct investments and their effective use, modernization of production, technical and technological re-equipment, new works. allocated from the republican budget in order to ensure, on this basis, the stable and dynamic development of our national economy.

Investment activity is the most important element of the economic policy of the Republic of Uzbekistan. In the implementation of investment activities, the most important components of socio-economic development are the problems of reproduction and issues of sustainable economic growth of the state, as well as aspects of macroeconomic regulation.

A number of goals of Uzbekistan's "Development Strategy of New Uzbekistan" for 2022-2026 include measures related to the development of the investment environment in the country.

Goal 26: To further improve the investment climate in the country and increase its attractiveness, to take measures to attract 120 billion US dollars, including 70 billion dollars of foreign investments, in the next five years.

Establishing a new system based on the "bottom-up" principle of effective use of investments and increase of export volumes.

Implementation of the strategy of attracting foreign and local investments until 2026.

Attracting investments worth 14 billion US dollars in energy, transport, healthcare, education, ecology, communal services, water management and other sectors on the basis of public-private partnership.

Establishing foreign economic relations between the republic's territories and business representatives of foreign countries, including the development of investment and foreign trade relations with the People's Republic of China of the Syrdarya region, the Russian Federation of the Surkhandarya region, and the Indian business circles of the Jizzakh region.

By establishing an "Investor Support Center" in Surkhandarya Region, a "Business Support Center" by Navoi Mining and Metallurgical Combine in Navoi Region, "Advanced Projects and Engineering Center" and "Innovation and Technology Centers" in each district, providing practical assistance to entrepreneurs.

Annually holding the "Tashkent International Investment Forum" in Tashkent.

Goal 27: Increase the stock market turnover from 200 million US dollars to 7 billion US dollars in the next 5 years in order to increase financial resources in the economy.

Gradual liberalization of capital movement in our country and privatization of large enterprises and shares in them, including through the stock exchange.

Completing transformation processes in commercial banks with a state share, bringing the share of the private sector in bank assets to 60 percent by the end of 2026.¹⁶⁰

Uzbekistan's FDI Challenge - Attracting Foreign Direct Investment to Diversify and Grow the Economy Uzbekistan has a huge and untapped potential to attract FDI, especially from developed countries with high per capita income, and destined for Uzbekistan's non-related industries. with mining. The country's geographic location in the heart of Central Asia is strategically important, as it provides convenient access to major markets, including China, Europe and South Asia. In terms of GDP, Uzbekistan is the second largest market in Central Asia (after Kazakhstan) and occupies a leading position in terms of population. However, the percentage of FDI inflows as a percentage of GDP is the lowest in Central Asia, well below that of other developing countries with similar per capita income levels. The average for the countries of Central Asia, the share of FDI received from partner countries with high per capita income is 87% of all FDI received, while the share of FDI from similar partners in Uzbekistan is only 32%. This indicates the underutilized potential of Uzbekistan to attract additional FDI from countries with high per capita income. FDI from high-income countries can bring advanced technology (both technical and institutional) and marketing channels to developed country markets, which can be a key source of new knowledge, learning and innovation. Despite the fact that the average FDI inflows increased from 0.6% of GDP in 2000-2002. to 2.8% of GDP in 2017-2019, these figures are still below those of several other comparable countries. The relatively low FDI inflow rates in Uzbekistan over the past three decades have widened the gap between Uzbekistan and other comparable countries in attracting FDI into the economy. By the end of 2019, all accumulated inward FDI in Uzbekistan amounted to only 17% of GDP, which is the lowest among all groups of developing countries and significantly lower compared to countries with a similar per capita income.¹⁶¹

It should be noted that over the years of independence, a favorable investment environment has been formed in Uzbekistan, a wide-ranging system of benefits,

¹⁶⁰ https://president.uz/oz/pages/view/strategy?menu_id=144

¹⁶¹ <https://documents1.worldbank.org/curated/en/099515108112240110/pdf/.pdf>

advantages and guarantees has been legally established to protect the rights and interests of foreign investors.

As a result, more than 4,200 enterprises with the participation of foreign investments in the leading industries and sectors of the economy have been created and are successfully operating in the republic. More than 3.0 billion foreign direct investments are absorbed annually, they account for more than 26.6 percent of the total investment in the country's economy. This is a clear evidence of the growing interest and confidence of foreign investors in the stability and maturity of the economy of the republic, the prospects for its development.¹⁶²

Legal entities are exempted from paying land tax, property tax and tax for the use of water resources, depending on the volume of direct private foreign investment made during the period determined by the decision of the President of the Republic of Uzbekistan.

An enterprise with the participation of private foreign direct investment is entitled to use other tax benefits provided for by tax legislation.¹⁶³

In our republic, a series of consistent work is being carried out to liberalize the economy, restructure it, and increase the effectiveness of reforms. The main directions of the reforms are related to the formation and improvement of the tax system, the main purpose of which is to achieve relations between economic entities and the state budget with mandatory payments. In this regard, the liberalization of tax policy is the key to progress in this area. Therefore, it is not in vain that the liberalization of tax policy is defined as an important priority for the development of our country.

Tax incentives for enterprises with foreign direct investment.¹⁶⁴

Amount of investment	Grace period	It will be exempted from the following
0.3 million - 3 million	3 year	Income tax. Property tax. Gross tax revenue for small businesses.
3 million - 10 million	5 year	At least 33% for foreign-invested enterprises to import their own property
Over 10 million	7 year	Income tax

¹⁶² <https://lex.uz/acts/-1994789>

¹⁶³ <https://lex.uz/acts/-1994789>

¹⁶⁴ <https://www.agro.uz/imtiyozlar/>

Tax and customs benefits are provided to foreign investors and enterprises with foreign investments.

In addition to the customs and tax benefits established for all enterprises in the Republic of Uzbekistan, there are a number of benefits for enterprises of the following economic sectors attracting private foreign direct investment:

1. Production of radio-electronic industrial products and components for computer and computing equipment.

2. Light industry

3. Silk industry

4. Building materials industry

5. Poultry and egg production

6. Food industry

7. Dairy and meat industry

8. Chemical and pharmaceutical industry

These enterprises pay income tax, property tax, social infrastructure development and regional beautification tax, ecological tax, single tax for micro-firms and small enterprises, as well as compulsory payment to the Republic Road Fund, are exempted from payment of fees.

The mentioned tax benefits are provided when direct private foreign investments are attracted in the following amount:

- 3 million from 300 thousand US dollars, up to dollars - for a period of 3 years;

- 3 mln. 10 million from US dollars, up to dollars - for a period of 5 years;

- 10 mln. More than USD - for 7 years.

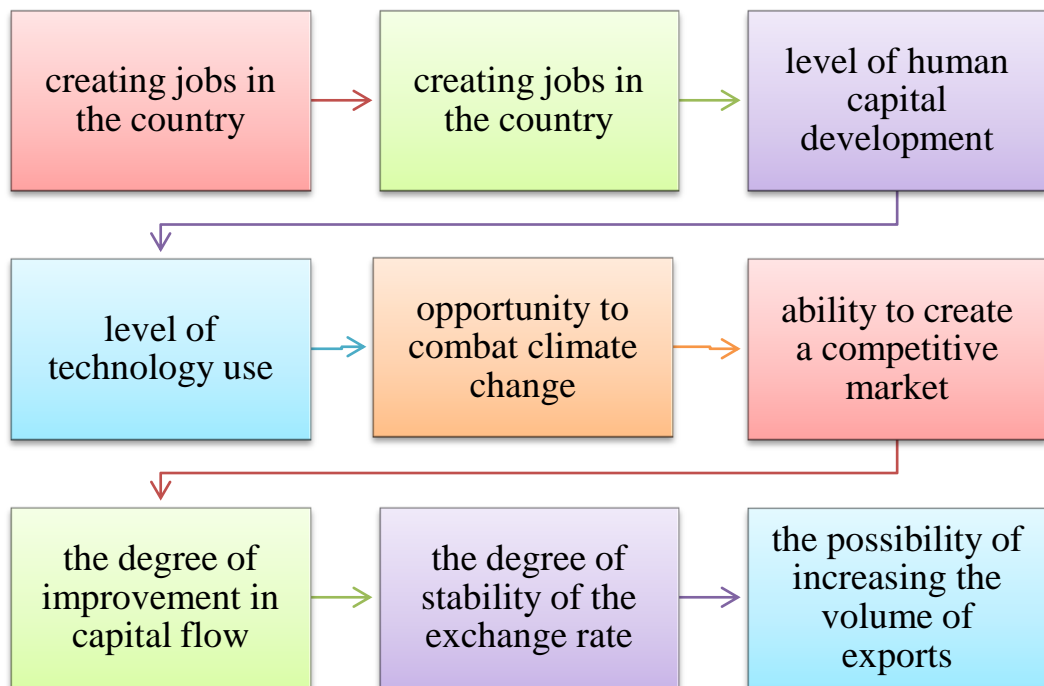
Additional guarantees and protective measures provided to foreign investors include the provision of guarantees by the Government of the Republic of Uzbekistan, assistance in the financing of investment projects, the creation of a special tax and payment regime, state monitoring of the implementation of projects and in accordance with the law other measures apply.¹⁶⁵

According to the analysis, 57% of the tax incentives that encourage investment in the countries of the world were used for specific sectors and industries.¹⁶⁶

Based on the above considerations, we would like to make the following suggestions and recommendations regarding the improvement of tax incentives in the process of attracting foreign investments.

¹⁶⁵ <https://www.soliq.uz/page/investitsiya-muhiti-va-ozbekiston-soliq-siyosati>

¹⁶⁶ <https://review.uz/uz/post/dunyo-mamlakatlarida-investorlar-uchun-taqdim-etilgan-soliq-imtiyozlari>



Based on the above analytical data, the following conclusions can be drawn. In order to develop the country's economy in Uzbekistan, it is based on the decisions taken by our president and the government to attract foreign investments and set various tax incentives for them. In addition to these benefits, in order to further increase the scope of investments, we would like to present a number of other suggestions based on the results of the research:

First, based on the level of development of the regions of the country, to identify the lagging sectors and, on this basis, to attract investments to the lagging sectors of the national economy.

For example, by organizing comprehensive marketing research in the regions of our republic, identifying industries and sectors that need to attract investments by regions, districts and regions. Establishing various benefits and financial assistance on this basis. Creating a favorable investment environment for foreign investors.

Second, tax credits for research and development - companies engaged in research and development can receive tax credits of up to 20% of research and development costs. It is desirable to attract foreign investors to this process as well.

There are a number of problems in the field of science and education in our country. It is difficult for fundamental projects to pass the competition, young people do not go for it, there is no financial incentive.¹⁶⁷ Identifying scientific and educational areas that need financial stimulation: for example, attracting foreign

¹⁶⁷ <https://kun.uz/uz/41032101?q=%2F41032101>

investments to fundamental, innovative and practical projects such as the mining industry, the development of green economy, the development of tourism infrastructures, sources of clean drinking water, and various implementation of various attractive tax benefits.

Thirdly, there are environmental problems in our country on a number of fronts, for example, experts of the Institute of Macroeconomic and Territorial Studies analyzed the expansion of cities in Uzbekistan and its impact on the environment. According to him, the largest number of houses were built in Samarkand, Kashkadarya, Bukhara regions and Tashkent city in 2017-2021. As a result, greenness in some cities has decreased to 37%.¹⁶⁸ In this regard, companies that care about environmental protection can be given environmental tax credits by the country, and as a result, they can receive a tax credit of up to 30 percent of environmental costs. Since there is a lack of experts in the country who have deep knowledge of ecology and green economy, it is appropriate to involve foreign experts in the study and development of this problematic topic.

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¹⁶⁸ <https://kun.uz/uz/18877517>

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