

**INVOLVEMENT OF TAXES IN ENSURING INNOVATION
DEVELOPMENT**

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Abstrast: This article explains the nature of taxes and innovations. Also, the impact of taxes on the provision of innovative development has been thoroughly studied.

Keywords: Innovation, innovative potential, taxes, tax policy, tax incentives.

Introduction.

As each state draws up its own development strategy in relation to economic development, it strives to achieve sustainable economic growth on the basis of innovation. The practice of innovative developed countries shows that innovation represented the economy in it as a driving force. At the same time, when manufacturers are engaged in a serious struggle to attract consumers to themselves, one way to solve this problem is to create in it Goods and services that can meet today's demand. This in turn is reflected in the innovative activities carried out through pure competition between manufacturers and service business entities.

And in order to create new goods and services, to introduce them into the economy, companies turn to innovation. The most important issue in ensuring development on the basis of innovation is considered to be special attention to the development of science, development. We can observe this in the practice of a number of countries whose economies have developed innovatively. After all, " today we are moving on an innovative development path aimed at radically updating all spheres of life of the state and society. It is not for nothing, of course. Because who will win in the current era, when the times are developing rapidly? A new thought, a state that relies on a new idea, innovation, wins. When we start building our great future today, we must start it precisely on the basis of innovative ideas, an innovative approach.

In the economy, the obsolescence of the management system, the lack of timely introduction of effective mechanisms for the support of innovative ideas remain a

serious problem. Also, technological backwardness, resource and energy-saving technologies, slow implementation of alternative energy sources are an obstacle in the path of Economic Development [1]. The transfer of economic development to an innovative rail is an urgent issue, and the demand for the period dictates this.

The creation and introduction of new technologies, goods and services production serves to increase the efficiency of the company, strengthen competitiveness and ensure economic growth. In this regard, tax policy plays an important role in promoting innovational activities.

Analysis of thematic literature

One of the first to focus on the essence of “innovation” in economic science was the Austrian economist Y. Schumpeter notes: ” innovation is a new look at the existing process, an approach to applying modern discovery and development or new production associated with human activities to some known process [2]”.

Innovative economics emerged as an economic science in the late 1920s through the early 1930s. N. Kondratiev touched on this process, arguing that the changes taking place in the field of technology will undoubtedly have a positive effect on economic development [3]. In his opinion, one of the main conditions for this is the accumulation of innovative “mass” in the country and the emergence of economic conditions for its introduction in the economy. For example, economic discoveries, which began to form at the end of the XVII – beginning of the XVIII century, were widely used at the end of the XVIII century, on the eve of the industrial Revolution.

When Yanayam looks more broadly at the content of innovation, its lexical meaning is derived from the English word “innovation”, which means innovating, inventive words [4]. The result of the studies is that definitions of innovation are also given within the formal framework. Especially within them, the definition given by the Oslo government to innovation is especially noted, according to which: “innovation is the assimilation of its competitors by the production of modern and high - quality goods, depending on the demand in the market, as well as the creation of new ideas [5]”, it is noted.

The relationship between innovation and taxes has been described by a number of Economist scientists in their scientific work. Including Adam Smith of the large klasik School of Economics recognized the importance of taxes to finance public services, which in turn can stimulate innovation. He also noted that the transition to new technologies, that is, to an effective competitive mechanism with the help of innovations, is important in ensuring economic growth if we take into account that in a market economy enterprises are competitive by attracting investments and directing them to create new techniques, technology, strengthening their position in the market on the basis of innovations, new markets

David Ricardo did not directly study taxes and their impact on innovation in his

scientific works. However, his theoretical views on the impact of taxes on economic activity, including production and resource allocation, are important. Writing about the factors that limit investment growth, Ricardo recognized that taxes can increase production costs and reduce the profits of entrepreneurs, which indirectly reduces the ability to stimulate innovation. He noted that if tax policies and systems are not properly organized, they can hinder economic development. His ideas about taxes and production costs served as a scientific basis for analyzing policies that stimulate or restrict innovation [7].

In Schumpeter's theory of creative destruction, tax policy can support or hinder innovation. [8]. In this work, Schumpeter describes how innovation and entrepreneurship lead to the destruction of old economic structures and their replacement with new ones. He argues that classical progress, inevitably associated with the destruction of outdated technologies, business models and social institutions, is an important aspect of the capitalist system. American economist Douglas North believes that institutional changes, including the tax system, have an impact on innovative activity [9]. Milton Friedman [10], a major exponent of the monetarist economic school, studies the impact of taxes on economic growth, including innovation, and states that minimal government intervention is important in stimulating innovation. American Nobel laureate Joseph Stiglitz, an economist of the Keynesian school, while studying the impact of taxes on social justice and economic efficiency, also shows the importance of the tax system to stimulate innovation. The French economist Thomas Piketty, in turn, while analyzing income inequality, emphasizes the need for progressive taxes to stimulate innovative activities [11].

In the opinion of American economist, Nobel laureate Richard Thaler [12], discusses the concept of taxes and their impact on social activities, including innovation, reflecting on the stimulating mechanisms of tax policy. English scholar Anthony Bennett discusses the role of righteous and tax policy in promoting innovation, proposing effective tax mechanisms to support innovation [13].

Research methodology

In this article, as a scientific-theoretical basis, economic literature on the importance of taxes in ensuring innovation development and scientific articles, tax policies of foreign and domestic economists, scientific works on its impact on innovations are studied. During the study of the topic, methods of comparative analysis of literature, logical and structural analysis, grouping and comparative comparison were used.

Analysis and results

Innovation has a significant impact on the national economy, contributing to its growth and development. Below we will consider the main ways in which innovation affects the economy.

Innovations lead to the creation of new technologies, processes and methods that increase production efficiency, productivity. This allows companies to produce more goods and provide services at a lower cost.

Creating new jobs: new technologies and products require new skills and knowledge, which can lead to job creation in new productions. In addition, successful innovations will help the development of existing companies, which will also create new jobs.

Competitiveness: innovation helps companies maintain competitiveness in the international arena. Countries that invest heavily in R & D can offer high quality and unique products, which increases export opportunities.

Economic growth: innovation promotes economic growth by increasing the country's GDP (GDP). New products and services create added value, which leads to an increase in income and consumption.

Improving the quality of life: innovation often leads to improving the quality of life of citizens. New technologies in health, education, transport and other areas make life more comfortable and safe.

Sustainable development: innovation can contribute to sustainable development by providing new solutions to environmental problems. For example, the efficiency of renewable energy sources and resource use are helping to reduce the negative impact on the environment.

Investment and financing: innovation attracts investment from both the public and private sectors. This can lead to the creation of new venture funds, startups and research centers.

Globalization: innovation contributes to the globalization of the economy, allowing companies to reach international markets. This creates new opportunities for trade and cooperation between countries.

Social change: innovation can lead to social change by changing the way people work, communicate and interact. For example, the development of digital technologies has changed approaches to education and labor.

In general, innovation occupies an important place in the development of the national economy, serves its rapid growth, improving the quality of life and sustainable development. Countries that actively support and invest in innovation have a greater chance of economic success and prosperity.

When we talk about innovations, we will consider their relationship with taxes. Taxes play an important role in the innovative development of the economy. Tax policy has a direct and indirect impact on innovative activities. Direct impact includes tax benefits and rates, as well as depreciation. Tax incentives focused on scientific research and experimental design work, the introduction of new technologies, the production of innovative products, tax incentives serve as an important stimulus for attracting

companies to innovative activities. Reduced tax rates, on the other hand, can be an important factor for the activities of innovative enterprises. Accelerated depreciation encourages investment in the purchase of innovative equipment and technology.

Also, indirect effects include:

- Stability and transparency of the tax system. A stable and transparent tax system serves as an important basis for attracting investments and developing innovative activities.

- Tax administration. The effectiveness and convenience of tax administration also affect innovative activities.

The impact of taxes on innovative development can be both positive and negative. In Figure 1 below we can see several main aspects of them:

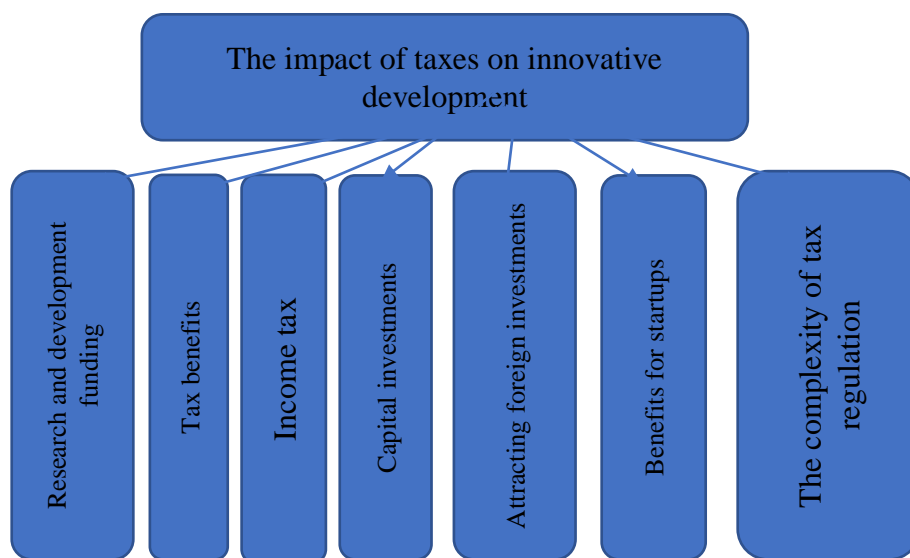


Figure 1. The main aspects of the impact of taxes on ensuring innovative development ¹.

If we highlight the aspects reflected in drawing 1 Above, research and development financing taxes can be used to fund public programs aimed at supporting scientific research and innovation. For example, tax revenues can be used to fund grants for scientific institutions and startups. Also, for companies engaged in innovation, tax incentives and preferences are given to research and development. This in turn encourages private investment focused on innovative projects. High income tax rates can reduce companies ' incentive to invest in new technologies and developments, as part of the profit falls on taxes. This can negatively affect the level of innovative activity.

Also, tax policies can affect the level of capital investments. For example, tax incentives granted for equipment and technology-oriented investments promote increased production capacity and the introduction of new technologies. A competitive

¹ Worked by the author on the basis of the analysis of the studied literature.

tax system can be encouraged by attracting foreign companies and investors, which can contribute to the development of an innovative environment in the country.

Currently, we can see that the tax benefits established for startups in ensuring economic development are greatly helping new companies to survive in the early stages, to develop innovative products and services.

When a complex and confusing tax system is in effect, it can be a barrier to innovation, as companies can spend large resources on tax compliance instead of investing in research and development.

The positive and negative effects of taxes on innovation have been studied by a number of economists. The positive impact on innovative development can be seen in the following.

- Tax benefits: scientific research shows that the tax benefits granted to ITTKI I can encourage innovation by reducing investment costs in R & D [14].

- Tax competition: tax competition between countries can lead to a "race to the bottom" in tax rates, which can encourage innovation as companies seek to take advantage of more favorable tax conditions [15].

We can see the negative impact in the following:

Tax burden: high tax rates can reduce the introduction of innovation into the economy by reducing the return on investment in research and development and increasing the cost of Doing Business [16].

Complexity: complex tax systems can create uncertainty and increase compliance costs, which can hinder innovation [17].

Tax avoidance: aggressive tax avoidance strategies may divert resources from innovation and tax planning [18].

Also, neutral influence, i.e., tax bias: some studies show that taxes can be neutral to innovation if they are not overly heavy or complex [19].

Due to the theory that indirect taxes are in a neutral (unbiased) position on the activities of enterprises, much attention is paid to their fiscal importance in our republic. Therefore, a policy is being implemented to increase the share and source of these taxes using the direct tax incentive function, reducing the share of indirect taxes that affect the well-being of the immediate population in our country and the benefit of the productive shiqaruvshi.

A decrease in the rates of indirect taxes, a simplification of taxation, leads to a lack of development of a "foreign economy". From the two, in recent years, the level of tax burden ansha has decreased as a result of improving the taxation system, lowering tax rates and granting tax benefits, and the growth of production. This directly affects the growth in GDP.

In matters of rational macroeconomic policy and taxation, which are the most influential, important direction in our country, the priority is also given to the benefit

of commodity and service-producing partners and business entities.

Assuming positive changes in tax rates in recent years, we pay attention to the following (table 1).

Table 1

Changes in tax rates in Uzbekistan from 1992 to 2023.²

Types of taxes	Highest tax rates from 1992-2009	Rates established in 2010	Rates set in 2021	Rates set in 2023	Decline
Value added tax	30 percent	20 percent	15 percent	12 percent	2,5 equal
<i>Income (profit) tax of legal entities</i>	45 percent	9 foiz	15 percent	15 percent	3 equal
Property tax for legal entities	5 percent	3,5 percent	2 percent	2 percent	2,5 equal
Single tax payment for small businesses	15,2 percent	7,0 percent	4 percent	4 percent	3,8 equal
Personal income tax	60 up to a percent	22 up to a percent	12 percent	12 percent	5,0 equal
Single social payment	40 percent	25 percent	12 percent	12 percent	3,3 equal

The table shows that in order to stimulate the expansion of consumer demand and production of goods (work, services) in the periods obtained for analysis, the rate of Value Added Tax was reduced from 30 percent to 12 percent and reduced by 2.5 times. The small business and private enterprise single tax rate was lowered from 15.2 percent of gross receipts in 2005 to 4 percent, down 3.8 times. In the years of independence, a decrease in the income tax rate of legal entities will positively serve to replenish the turnover of enterprises and organizations, to strengthen the material and technical base.

A decrease in the rate of a particular type of tax is of particular socio-economic importance. For example, a single social payment, a decrease in the income tax rates of individuals working Labor-will have a positive effect on the continuous increase in the income of employees and residents, as well as their further Cushitic social protection. As a result of such an effective tax policy, the omission of funds that must be compulsorily paid to the disposal of economic entities is a clear manifestation of the care provided to them by the state and their support.

In this regard, taking into account the fact that in ensuring the socio-economic, innovative development of the country, the tax benefits granted to the subjects of innovative activities are one of the determining factors, we consider it advisable to give them tax benefits in the following areas:

1. 1. Taking into account the value, importance and prospects of the project

² Davlat statistika o`hmitasi ma'lumotalri asosida hisoblangan.

carried out by economic entities engaged in innovative activities, partial or full exemption from land tax, property tax and profit taxes is an urgent issue.

2. Solving the issue of partial or complete exemption from the tax paid to the Republican road fund, the Republican School Education Fund, on the development of unified tax, improvement and social infrastructure due to the volume of investment of commercial enterprises and other economic entities engaged in innovative activities for the implementation of the innovative project.

3. It will be advisable to apply a system of deferred taxation depending on the amount of direct investments in Uzbekistan or in the free economic zones established on the territory of the country, the share of exports in relation to the volume of manufactured goods.

4. It will be necessary to establish free economic zones and develop a system of comprehensive benefits in relation to them, in particular a system of tax benefits, in order to ensure the level of natural resource supply of the country's territories, geographical location, historical specialization. It will be necessary to develop effective innovative policies in the country, to identify the dominant sectors of its economy where investment should be made, to apply differentiated tax benefits to the Ittki carried out in them.

5. Further improvement of the country's customs policy is an important one of the macroeconomic supports that have a positive effect on increasing innovative activity. It is known that the foreign trade activity of the state, the reduction of the participation of entrepreneurs in increasing our export potential directly depends on the customs-definition rates, the liberalization of foreign trade in relation to them. Our opinion is that helping entrepreneurs in this area will make it possible to effectively take advantage of the huge export opportunities of our country in the direction of agricultural products and their processing.

6. We think that the provision of real freedoms in the direction of foreign trade to entrepreneurs, farmers, the creation of appropriate conditions for the sale of agricultural products beyond the state order will be a great impetus to the development of the national economy.

7. The need to renew, improve the relations of the state in the field of Finance, money and credit increases day by day. In this area of business, it is necessary to first focus on the issues of effective use of existing financial resources. We must say that the main part of investments should be directed to the areas of the real sector of the economy. In addition, it will be necessary to produce and implement the sphere-measures to simplify the system of lending to business entities, reduce credit rates, further reduce the trust of the population in the bank.

The solution of problems and tasks in the above –mentioned directions-serves as a material basis for ensuring sustainable economic growth and accelerating economic

development.

Conclusions and suggestions

Thus, tax policy is an important tool that can both support and limit the innovative development of the economy. An effective tax system aimed at stimulating innovation can contribute to the growth and development of the entire economy.

The following scientific proposals and practical recommendations have been developed to ensure innovative development in the country and improve the issues of tax policy, effective use of tax benefits in this process:

1. Patent, which is an official legal form of innovative products from developed countries, low purchase of licenses and, consequently, the slow introduction of modern techniques-technologies into the national economy.

2. The unorganization of technopolises, technoparks, business incubators and scientific and technical centers, which are considered the material basis of the innovative economy in Uzbekistan, is one of the big problems in the transition to an innovative economy, and it is necessary to see the points of their immediate organization.

3. Free economic zones (EEZ) are sources that create the material, technical and technological basis of an innovative economy. It is necessary to develop a complex of conditions for solving the legal and organizational issues of their organization and increasing their number.

The revenue of the state budget of the Republic of Uzbekistan is mainly formed due to taxes, and in the following years tax-free income is also growing. In the state budget of the Republic of Uzbekistan, it is necessary to state that the balance of oblique (indirect) taxes is higher in relation to the correct, that is, direct taxes. Even if there are not many types of curved taxes, their balance in the budget is considered high compared to the correct taxes. As we all know, the desire to pay curved taxes falls on the debt.

In conclusion, the impact of taxes on innovation is complex and depends on various factors, including the type of tax, the level of taxation and the overall business environment.

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