



PROFIT TAX AS A TOOL OF STATE ECONOMIC REGULATION: PROSPECTS FOR INNOVATIVE DEVELOPMENT

Agzamov Avazkhon Talgatovich

Professor, Department of Taxes and Taxation, Tashkent State University of Economics, PhD in Economics
e-mail: a.agzamov@tsue.uz ; aavazxon@umail.uz

Ahrorov Zarif Oripovich

Professor, Department of Taxes and Taxation, Samarkand Institute of Economics and Service, DSc in Economics
e-mail: axrorovzarif@sies.uz

Annotatsiya: Bugungi iqtisodiy sharoitda dunyoning aksariyat mamlakatlari innovatsion rivojlanish yo'lidan bormoqda va bu jarayonni qo'llab-quvvatlash uchun turli moliyaviy va nomoliyaviy vositalardan foydalanmoqda. Foyda solig'i bu borada asosiy moliyaviy vositalardan biri bo'lib, unda davlat, korxonalar va aholi manfaatlarini o'zaro kesishadi. Shu munosabat bilan mazkur tadqiqot milliy darajada ham, korxonalar darajasida ham innovatsion rivojlanishga investitsiyalarni jalb qila oladigan yagona foyda solig'i tizimini shakllantirishni tahlil qilishga qaratilgan. Hozirgi vaqtda innovatsiyalarni rag'batlantirishning keng ko'lamli moliyaviy vositalari, jumladan soliq imtiyozlari, kreditlar va davlat subsidiyalari qo'llanilmoqda, biroq amaliy tajriba ushbu vositalarning barchasi ham kutilgan natijani bermasligini ko'rsatmoqda. Yagona foyda solig'i tizimining joriy etilishi innovatsion rivojlanishga investitsiyalarni rag'batlantirishning umumiy moliyaviy mexanizmi doirasida sinergetik samara yaratishga xizmat qiladi.

Kalit so'zlar: foyda, daromad solig'i, rag'batlantirish, korxona, moliyaviy faoliyat, investitsiya, innovatsiya, unifikatsiya, sinergetik samara.

Abstract: In today's economic climate, most countries worldwide are pursuing an innovation-driven path of development, relying on a range of financial and non-financial instruments to support this process. Profit tax stands out as one of the key financial instruments in this regard, serving as a point where the interests of the state, enterprises, and the population intersect. Accordingly, this study focuses on analyzing the formation of a unified profit tax system capable of attracting investment into innovative development at both the national and enterprise levels. A wide array of financial incentives for innovation is currently in use - including tax benefits, loans, and state subsidies - yet practical experience shows that not all of these instruments deliver the intended results. Establishing a unified profit taxation system would help generate a synergistic effect within the broader financial mechanism for stimulating investment in innovative development.

Keywords: profit, income tax, incentives, enterprise, financial activity, investment, innovation, unification, synergy effect.

Абстрактный: В современных экономических условиях большинство стран мира следуют по пути инновационного развития, используя для его поддержки широкий набор финансовых и нефинансовых инструментов. Одним из ключевых финансовых инструментов в этом отношении является налог на прибыль, в котором пересекаются интересы государства, предприятий и населения. В связи с этим настоящее исследование посвящено анализу формирования единой системы налогообложения прибыли, способной привлекать инвестиции в инновационное развитие как на национальном уровне, так и на уровне предприятий. В настоящее время применяется широкий спектр финансовых стимулов инноваций, включая налоговые льготы, кредиты и государственные субсидии, однако практический опыт показывает, что не все эти инструменты приносят ожидаемые результаты. Создание единой системы налогообложения прибыли позволит обеспечить синергетический эффект в рамках общего финансового механизма стимулирования инвестиций в инновационное развитие.

Ключевые слова: прибыль, подоходный налог, стимулирование, предприятие, финансовая деятельность, инвестиции, инновации, унификация, синергетический эффект.

Introduction (Kirish/Vvedenie)

As the national economy pursues innovation-driven growth, and in line with the State Program for Socio-Economic Development through 2030, corporate profit tax can no longer be viewed merely as a revenue-generating mechanism for the state budget. Increasingly, it must function as a key lever of economic regulation, while also supporting enterprise capital growth and attracting investment.

Given that profit tax, together with other levies that make up a substantial share of budget revenues, plays such a significant role, it should stand as one of the core financial tools in efforts to unify the taxable base, the calculation methodology, and the allocation procedures for this tax across all levels of the budgetary system.

A defining feature of the country's innovation-oriented economic development during the 2021–2030 period is the ongoing need to systematically identify priority sectors of the economy and to provide comprehensive support for their growth prospects. This includes adjusting the taxable base, offering profit tax incentives to encourage both domestic and foreign investment, and extending state guarantees to

innovation-driven enterprises that serve as profit tax payers, among other measures.

At the same time, as subsequent sections of this study demonstrate, the current system of profit tax benefits – including exemptions, preferential lending terms, subsidies, and grants – does not always achieve its intended effect, and in a number of cases fails to generate the synergistic growth needed to justify its continued use in its present form. This raises the question of whether existing exemption-based mechanisms should be reconsidered in favor of more unified and equitable alternatives, such as a loss-carryforward mechanism, capable of better balancing the interests of the state, enterprises, and the broader investment climate.

Literature review (Mavzuga oid adabiyotlar sharhi, Анализ литературы)

Corporate profit tax has long served as a cornerstone both in the formation and distribution of enterprise profits and in shaping the tax revenues of the state budget. Since this tax was first introduced, both theoretical and applied researchers have continuously studied it, seeking

to balance the interests of taxpayers and the state. These studies have approached the issue from a wide range of perspectives.

Joel Slemrod (1990) [1], for instance, argues that income derived from leisure-related goods and accessories should be taxed at higher rates, allowing for lower taxation of goods and services associated with productive labor. Daveri and Tabellini (2000) [2], along with Mankiw et al. (2009) [3], note that tax-induced distortions in firms' profit functions can also affect the dynamic characteristics of the markets involved.

In most countries, tax rates are nonlinear and influence the share of net profit within gross profit - effectively equating to it when a firm incurs a loss, or forming a portion of it when the firm is profitable (Noemi Schmitt, Jan Tuinstra & Frank Westerhoff, 2017) [4]. Christian J. Bauer and Dominika Langenmayr contend that transfer prices set according to market value under the "arm's length" principle tend to systematically exceed the marginal costs of multinational corporations, which in turn reduces tax payments per unit of goods sold.

This, they argue, offers a new explanation for the empirically observed lower tax burden faced by multinational corporations through the optimal organizational structuring of firms (Christian J. Bauer & Dominika Langenmayr, 2013) [5].

The research conducted by scholars within our country has culminated in the Concept for Improving Tax Policy [6], which, starting in 2019, strengthened the role of enterprise profit and profit tax in generating state budget revenues [7]. Both in legislative acts and in practice, the taxation of commercial banks' profits has been treated as a distinct category, with the observation that "all entities within the financial sector participate in relations as either taxpayers or tax agents regulated by tax legislation" [8].

Some scholars similarly single out insurance organizations as a separate category for profit tax purposes, noting that "problems exist in the taxation of both insurers and policyholders... the mechanism for taxing profit is highly complex, and numerous issues and questions arise when calculating taxable profit" [9]. Other researchers have focused their work on analyzing changes to corporate profit tax and how tax rates affect the volume of reserves formed against potential loan losses.

The influence of tax rates on loan-loss reserve formation, in particular, has attracted considerable scholarly interest [10, 11]. Certain researchers have also examined profit taxation through the lens of profit formation and distribution, taking into account the interests of enterprises, the state, and employees alike [12, 13].

This diversity of approaches to profit taxation, combined with the sustained scholarly interest in the subject, suggests that substantial research in this area will continue, as many fundamental questions remain unresolved.

Research objective and methods (Tadqiqot maqsadi va usullari, Цель и методы исследования)

This article examines and analyzes the impact of corporate profit tax on investment attraction as a guarantee for enhancing the country's economic growth. Economic, comparative, and statistical methods of analysis were employed to determine the relationship between investment inflows and corporate profit tax. In the course of studying the influence of profit tax on investment attraction, official statistical data from the Central Bank of the Republic of Uzbekistan and the State Tax Committee of Uzbekistan were used.

Analysis and results (Tahlil va natijalar, Анализ и результаты)

In our view, the most important condition for ensuring the future development of enterprises should be state guarantees provided within the framework of self-regulation and self-financing principles, applying tax instruments to achieve two objectives simultaneously: fostering growth in enterprises' innovative activity and increasing the profit retained at their disposal. The latter serves as a critical factor in improving financial health, ensuring enterprises remain profitable, and creating additional well-paid jobs.

The nature of profit tax is such that, using its existing mechanisms, some enterprises begin generating profit immediately, while others aim to achieve it only later. A rational system of enterprise profit taxation should not discriminate between these cases; rather, it should treat all enterprises according to principles of efficiency and fairness [14], ensuring a symmetric status between positive and negative profit tax obligations.

In our view, this also implies that enterprises operating profitably should meet their profit tax obligations on an ongoing basis rather than solely within the current period, while enterprises incurring losses for objective reasons should be granted temporary tax deferrals (see Table 1). Implementing this principle, with an eye toward the future development of enterprises, can be achieved through various approaches.

Table 1.
Indicators That May Determine Temporary Deferrals for Enterprises

No.	Enterprise No.	Sales Volume, million UZS	Profit, million UZS	Profitability Level, %	Possible Options for Providing			
					Deferral: + yes / - no	Exemption from Profit Tax: + yes / - no	Tax Incentive: + yes / - no	Provision of Benefits to Enterprises under State Guarantee: + yes / - no
1	№1	1000,0	80,0	8,0	+	+	+	+
2	№2	1500,0	150,0	10,0	+	+	+	+
3	№3	2000,0	140,0	7,0	+	+	+	+
4	№4	2500,0	500,0	20,0	-	-	+	±
5	№5	3000,0	750,0	25,0	-	±	±	±
6	№6	3500,0	280,0	8,0	+	+	+	+
7	№7	4000,0	1200,0	30,0	-	-	-	-
8	№8	4500,0	1575,0	35,0	-	-	-	-
9	№9	5000,0	2000,0	40,0	-	-	-	-
10	№10	5500,0	495,0	9,0	+	+	+	+

Source: Table compiled by the author using hypothetical figures.

As Table 1 demonstrates, out of the 10 enterprises examined, only 5 require a deferral of profit tax payments, and these same enterprises will also need additional preferential business conditions. Only enterprises that achieved a profitability level of 30% or higher will not require such preferential treatment. In practice, however, such enterprises are often granted benefits or favorable economic conditions wherever possible, which ultimately leads to the monopolization of product sales in both domestic and foreign markets. Naturally, conditions of this kind are valued somewhat more highly than tax incentives themselves.

Most of the specialists surveyed from manufacturing-sector enterprises (10 enterprises located in Samarkand city, the Samarkand rural district, and the Jomboy district) expressed a clear and unanimous view: it would be preferable to create normal operating conditions and access to markets beyond the region or the republic (90% of all respondents surveyed shared this opinion).

This ratio confirms the relatively weak operational efficiency of these enterprises. Relying primarily on domestic market demand, they merely survive rather than develop. Given their low financial performance, such enterprises will be unable to modernize in the future - a situation that calls for an immediate response from government authorities, who should, wherever possible, implement measures aimed at providing them with financial and credit support.

This support should include deferral of tax payments, exemption from profit tax, and access to the full range of other existing incentives.

No less significant an obstacle is linked to the distorted role of credit and the provision of loan benefits, which play a crucial part in shaping enterprises' financial policy, competitiveness, and overall well-being.

In an economy characterized by a mix of ownership forms alongside state ownership, and by market competition, the ability - or inability - to obtain additional credit or benefits in full, on time, and under favorable conditions becomes a decisive factor in either driving investment growth or freezing it altogether. This, in turn, directly affects not only production growth but also the modernization of its underlying structure.

Enterprises with a competitive advantage - whose survival and prosperity depend on their ability to access and effectively use all legally available state-provided benefits - tend to channel these resources into new investments, the development of new production niches, and the adoption of cutting-edge technologies in pursuit of maximum profitability. By shaping their production volumes (including export volumes), such enterprises influence the overall level of economic activity among innovation-driven enterprises, as well as profit growth more broadly. This, in turn, can contribute to increased profit tax revenues flowing into the state budget.

However, during crisis periods marked by heightened cost pressures and, alongside near-complete price liberalization, correspondingly high cost-push inflation, the prospect of additional profit fails to exert a meaningful influence on the growth of enterprise investment.

Under current economic conditions, the provision of various benefits - including subsidies - most often serves to preserve an outdated production structure. The planned unprofitability of many enterprises, the low nominal rates typically attached to preferential loans (which, under inflationary conditions, translate into negative real rates), and the lack of any real obligation to repay subsidies or loans in the future fail to stimulate modernization, the adoption of new technology, cost reduction, or a genuine drive toward innovation and profitability. The latter, in fact, tends to produce losses instead.

Credit obtained by enterprises is spent primarily on wage increases and consumption. The very disbursement of credit to enterprises - as outlined in their business plans - is, in effect, predetermined by the price increases those enterprises themselves implement. This means that credit,

much like other forms of benefits, exerts little active influence on economic processes, leaving financial authorities without an effective tool for regulating profit tax revenue (see Table 2).

Table 2.
Budget Revenue from Profit Tax Paid by Enterprises Receiving Benefits

No	Enterprise	Profit Tax Benefit	Credit Benefit	Subsidies	Grants	2021	2022	2023	2024
1	№1	+	-	-	-	12,4	11,1	10,7	9,2
2	№2	+	+	-	-	9,7	9,4	9,1	8,4
3	№3	+	-	+	-	6,3	6,8	7,9	7,4
4	№4	+	-	-	-	7,2	7,6	8,3	8,4
5	№5	+	+	-	-	11,7	10,8	10,2	10,5
6	№6	+	+	-	-	16,4	15,3	14,4	12,1
7	№7	+	-	-	+	15,2	15,8	16,4	16,5
8	№8	+	-	-	-	8,4	9,5	9,7	10,3
Share of benefit type, %		100,0	38,4	12,2	12,2	-	-	-	-

Source: compiled by the author based on data from [16].

As the data in Table 2 shows, profit growth over the 2021-2024 period occurred at enterprises No. 3, No. 4, No. 7, and No. 8. A partial increase relative to 2023 was also recorded at enterprises No. 3, No. 4, and No. 5. In all other cases, no growth was observed, since no synergistic effect materialized. This confirms that enterprises benefiting from preferential treatment were unable to sustain their rate of growth relative to the reporting period - a clear sign of lost profit and, consequently, reduced profit tax revenue flowing into the state budget.

Only by closely examining the condition of enterprises that pay profit tax can appropriate decisions be made. In our sample, more than 61.6% of enterprises managed to maintain their prior-year growth rate without relying on any benefits at all. Moreover, as Table 2 indicates, most enterprises did achieve some profit growth compared to the previous year, though the rates of increase were modest. This once again underscores the need to unify the system of benefits granted to profit-tax-paying enterprises. It follows that, at present, such benefits play no particularly distinct role in enterprise activity beyond what is already envisioned under the existing regulatory framework established by current legislation.

Looking ahead, the primary focus should therefore shift away from granting benefits that fail to produce a synergistic effect, and toward improving the profit taxation system itself. The taxable base and the benefits capable of positively influencing enterprises' financial performance need to be redesigned and unified from the ground up.

It follows that the current profit taxation system offers a broad range of tax benefits depending on various segments of enterprise activity - including the strategic importance of the enterprise, its area of specialization, the restructuring of its capital, its geographic location, and similar factors.

Consequently, as the market environment continues to develop, the presence of numerous tax benefits not only complicates the calculation of profit tax itself but also gives rise to certain methodological inconsistencies that will need to be unified going forward. It further creates difficulties in upholding the principle of fairness for profit tax payers, while also opening the door to opportunities for tax evasion.

Looking ahead, profit tax exemptions should not be extended to strategically important, capital-intensive enterprises, or to enterprises

with limited innovative capacity, that are inherently unable to recoup their expenditures within the short preferential periods established for such benefits. As a result, these enterprises would be unlikely to generate the synergistic profit needed to support innovative development once exempted from taxation. For this category of enterprises, therefore, new conditions for granting benefits should be established in the future.

The experience of market-developed economies shows that it is common practice to offset prior-period losses against profits earned in subsequent periods. A limited form of loss carryback is also permitted in some jurisdictions, whereby current-year tax losses may not exceed the amount of taxes previously paid, with the possibility of a refund of taxes already remitted. The reverse mechanism - offsetting current-period losses against profits from prior years - has likewise been applied in market-developed countries such as the United States, the United Kingdom, and Turkey, particularly in cases involving the liquidation of enterprises subject to this type of tax.

Conclusion (Xulosa, Заключение)

In our view, at the present stage, as the tax system continues to be improved in line with the Concept adopted in 2018, it would be more equitable to replace the broad, blanket exemption from profit tax with a loss-carryforward mechanism instead. The latter appears more unified, more logically consistent, and fairer in practice.

It follows that, in the future, enterprises earning profit could otherwise find ways to avoid remitting tax payments to the state budget. Under the proposed approach, profitable enterprises would automatically become profit tax payers, while loss-making enterprises could reduce their taxable base in subsequent periods by deducting prior-year losses from their actual base, thereby gaining tax relief later on. Over time, as this approach is fully implemented in enterprise operations, it could help ensure the principle of tax fairness is applied more precisely to both profitable and unprofitable enterprises. Consequently, introducing a loss-carryforward mechanism for profitable enterprises going forward could support a more uniform system of tax benefits and a more rational approach to granting profit tax incentives. Establishing such conditions is precisely what could enable profit-tax-paying enterprises to achieve a genuine synergistic effect.

The key parameters of this mechanism include the following: a predominance of profitable and competitive enterprises; the availability of a labor market, material resources, and finished goods for the population or for domestic and foreign markets; strict adherence to budget payment deadlines for profit tax; a functioning mechanism for addressing unprofitability; and a well-developed payment system in which profit tax revenue, once remitted to the budget, is converted into liquid funds through the banking system within days rather than months, as is currently the case. Only under these conditions can the state, while planning the projected volume of profit tax revenue (and holding the parameters of other tax-regulation instruments constant), assess with reasonable accuracy the resulting growth in tax revenues alongside a slowdown in inflation and increased enterprise activity.

In this context, the core task of financial management authorities - and the primary criterion of their effectiveness - is to foster a healthy, non-inflationary economic environment and the enterprise value that follows from it. Achieving this would, in turn, make it possible to establish a unified taxation system going forward, one capable of attracting investment on the strength of enterprises' own financial resources.

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