



Prospects For the Development of The Activity of Business Subjects on The Base of The Sustainability Rating

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Abstract: In this article, we will look at how the state uses taxes to manage and regulate business activity, as well as how the "sustainability rating of business entities" affects various aspects of the business environment. Understanding the mechanisms of business regulation through taxes will help to better understand the importance of tax policy in economic development and improving the business climate.

Keywords: entrepreneurship, sustainability rating, income tax, VAT, criterion, profit margin, payment discipline, role in employment, progressive wages, proportional, budgetary, payment, Tax code, trend.

Introduction

Currently, the state plays an important role in the formation and regulation of the business environment in the modern economy. One of the main tools used by the government for this is through tax policy. Regulation of business activity through taxes is an effective way of the state's influence on the economy. Tax rates and benefits The government can regulate business activities by changing tax rates. Increasing or decreasing tax rates can affect the profitability of various types of enterprises, stimulate or limit their development. In addition, tax incentives for companies that invest in certain types of activities or in certain sectors can stimulate the development of these sectors and attract investments.

The importance of introducing the sustainability rating was mentioned in the open dialogue of the head of state with entrepreneurs. After that, its criteria and principles were developed. It is noted that the rating will be a "specific incentive" for the activities of entrepreneurs.

"Entrepreneurs are becoming a leading force in society, young people aspire to them. Now, through this rating, it is necessary to encourage law-abiding, disciplined and active among entrepreneurs. The Public Council for Entrepreneurship Support should have a big role in implementing it and ensuring its effectiveness." ¹.

From February 1, 2024, the sustainability rating of business entities will be introduced. Entrepreneurs with a high rating will have additional benefits²

¹ On January 5, 2024, Shavkat Mirziyoyev from his speech at the introduction of the presentation on the introduction of the sustainability rating of entrepreneurs

² Presidential Decree of the President of the Republic of Uzbekistan No. 39 dated 23.01.2024 "On measures to introduce the sustainability rating of business entities".



The Peerian Journal

Open Access | Peer Reviewed

Volume 34, September, 2024

Website: www.peerianjournal.com

ISSN (E): 2788-0303

Email: editor@peerianjournal.com

Decision PD-39 of the President of the Republic of Uzbekistan "On measures to introduce the stability rating of business entities" was adopted, and based on this decision, the stability rating of business entities of the Republic of Uzbekistan was introduced.

Literature Analysis And Method

There are many scientists who have conducted research on the rating of entrepreneurs and expressed their opinions in their works. Let's take a look at some of the scholars' opinions:

In his work "Growth Theory: An Exposition", Robert Solow examines the factors affecting economic growth in terms of the role of entrepreneurs and their stability. [4]

In William Baumol's research on entrepreneurship theory, Baumol focuses on the importance of entrepreneurship for economic development and innovation. [5]

Jeffrey A. Timmons is the author of the concept of "Sustainable Entrepreneurship" and believes that business success depends on the entrepreneur's ability to adapt to changing market conditions and overcome obstacles. [6]

Toivonen, M., Korhonen, J., & Jussila, J. J. "Sustainability and Entrepreneurship: A Bibliometric Review and Research Agenda." In his article, he analyzes the scientific literature in the field of sustainable entrepreneurship and proposes a research program for further research. [7]

Kuckertz, A., & Wagner, M. A Systematic Literature Review of Sustainable Entrepreneurship Indicators provide a systematic review of the literature on sustainable entrepreneurship indicators and performance evaluation. [8]

Kraus, S., Clauss, T., Breier, M., Gast, J., Zardini, A., Tiberius, V., & Brem, A. Entrepreneurial Orientation and Sustainable Development: A Configurational Approach. considered the relationship between growth and stability, i.e. assessment and measurement issues. [9]

Discussion

According to the sustainability rating of business entities, entrepreneurs are divided into 4 categories on the basis of 23 criteria, such as period of activity, level of profitability, payment discipline, place in population employment and salary. The sustainability rating is formed on the basis of information from tax, justice and judicial authorities. Every entrepreneur will be able to find out his position and price in real time. The results of the rating will be published on the website of the Chamber of Commerce and Industry.

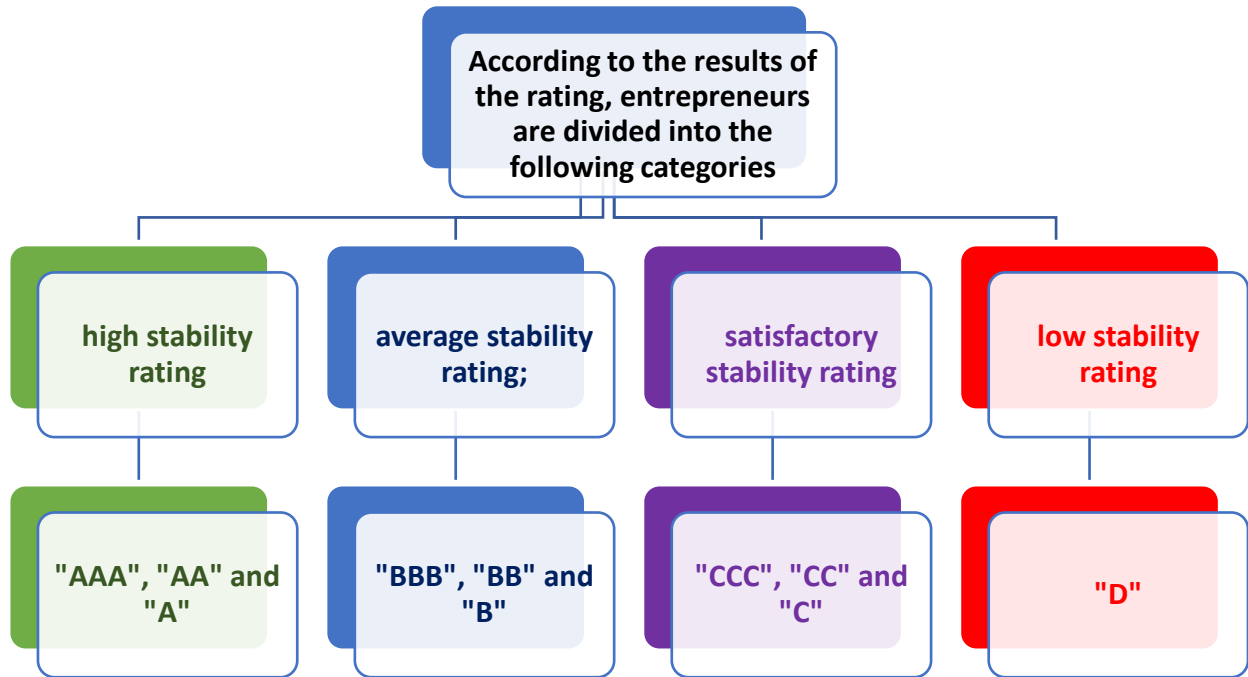


Figure 1. Indicators of sustainability rating of business entities

For high-ranking entrepreneurs, all tax audits will be canceled, the amount of VAT will be refunded in one day, and the overpayment for other types of taxes will be refunded in three days. When importing and selling goods, it will be possible to mutually account for VAT in customs and tax authorities.

The period of payment of the value of state assets and land plots obtained at the auction will be extended from 3 to 5 years. In this case, when the initial payment of at least 15% is made all at once, no annual interest is calculated on the remaining amount.

As a result of the rating, the activities of entrepreneurs are assessed by an electronic system, not by tax officials. In the future, subsidies, benefits and preferences will be given based on the rating. Underachievers strive to join the ranks of disciplined entrepreneurs and gain more opportunities.

Table 1
Classification of entrepreneurs according to the results of the rating

HIGH STABILITY RATING	
AAA	100-96 points
AA	95-91 points
A	90-86 points
AVERAGE STABILITY RATING	
BBB	85-76 points
BB	75-66 points
B	65-56 points



The Peerian Journal

Open Access | Peer Reviewed

Volume 34, September, 2024

Website: www.peerianjournal.com

ISSN (E): 2788-0303

Email: editor@peerianjournal.com

SATISFACTORY STABILITY RATING	
CCC	55-51 points
CC	50-36 points
C	35-26 points
LOW STABILITY RATING	
D	25 points

The rating is formed automatically (online) on the electronic platform "Entrepreneurs' stability rating" of the Tax Committee. The assessment is based on information on compliance with the legal requirements of the business entity. This information comes to the platform through interdepartmental information exchange. The procedure for rating is determined by the Cabinet of Ministers within a week.

Payers of turnover tax can receive a rating not higher than the "AA" category. The rating results are posted daily in the personal office of the entrepreneur and on the official website of the Chamber of Commerce and Industry. The entrepreneur is given information about the reasons for the low price and how to improve it.

An entrepreneur can appeal the assessment to the Tax Committee. Applications are processed within 1 day. Highly rated entrepreneurs are encouraged. It does not include penalties for organizations with low ratings.

AAA

Business entities with AAA rating are not subjected to tax audits (with the exception of audits conducted within the framework of initiated criminal cases), as well as the replacement of the amount of value added tax to these entities. compensation (return) is carried out within one day without checks.

AA

For those rated AA and above:

At least 15 percent of state assets and non-agricultural land plots sold to business entities of category "AA" and above, operating in districts of categories 4 and 5, on the condition of payment in installments if the initial payment in the amount is made in one go, annual interest at the rate of the Central Bank will not be calculated on the remaining amount, and the installment payment period will be extended up to 5 years.

A

"To business entities with rating "A" and above:

for all types of taxes (with the exception of value added tax), the refund of the existing overpayment amount is carried out within three days;

a procedure is implemented that allows for mutual accounting of the amounts of value added tax paid when importing goods and selling goods (services).



For example, in the 4th quarter of 2023, 1,201 out of 9,361 enterprises with an "A" and higher rating had overpayments of 356.4 billion soums..

Figure 2. The following incentive measures will be introduced to business entities with a high sustainability rating

Entrepreneurs who received the highest rating and were included in the "AAA" category:

- exempt from tax audits (with the exception of audits conducted within the framework of criminal cases);

- Reimbursement (refund) of the VAT amount is carried out on the same day without checks.

"AA" and above operating in the districts of the 4th and 5th categories, purchased state assets and non-agricultural land plots on the condition of payment in installments, and paid at least 15% of the initial In relation to business entities that have implemented the transaction in one way:

- exempting the remaining amount from calculating annual interest in the amount of the main rate of the Central Bank;

- it is envisaged to grant the right to extend the installment payment period up to 5 years.

To business entities of category "A" and above:

- return the overpayment amount for taxes (excluding VAT) within 3 days;

- the right to apply the procedure for mutual accounting of the VAT amounts paid in the import of goods and in the sale of goods (services). These benefits do not apply to state enterprises and legal entities with a state share of 50% or more in the authorized capital.

Based on the decision on the stability rating of business entities, the Cabinet of Ministers' decision No. 55 of January 30, 2024 "On approval of the regulation on the procedure for determining the stability rating of business entities" was adopted. In this case, the assessment of the activity of business entities was divided into 3 different indicators, and 23 assessment criteria were approved:

- general indicators;
- indicators that reduce points;
- indicators that give additional points.

The general indicators include 10 criteria, and the maximum score of 100 points is obtained by business entities, and the general indicators include the following criteria:

- duration of business activities;
- EBITDA profitability;

For information: EBITDA profitability of a business entity

interest payments, amortization of fixed assets and intangible assets, the amount of calculated profit tax is added to the net profit, it is determined by dividing by the net income from the sale of goods (services) and multiplying by 100.

- availability of land plots and (or) real estate objects;
- wage fund per employee;
- submission of tax reports on time;
- payment of calculated taxes in the specified terms;
- payment of calculated taxes through a payment order;
- status of issuing electronic invoices within the terms established by law;
- sale of purchased goods through electronic invoices;



The Peerian Journal

Open Access | Peer Reviewed

Volume 34, September, 2024

Website: www.peerianjournal.com

ISSN (E): 2788-0303

Email: editor@peerianjournal.com

- the state of elimination of deficiencies identified as a result of the analysis before the tax authorities' inspection.

Indicators that reduce points include 9 criteria and a maximum of 55 points are deducted by business entities. Factors that reduce points include:

- location (postal address) change indicator;
- dissatisfaction of the head of the business entity;
- indicator of unreliability of the founder or head of the business entity;
- indicator of independent corrections to submitted tax reports by the taxpayer himself;
- indicator of assessment of the special certificate of the payer of value added tax;
- indicator of collection of tax debt at the expense of property;
- indicator of the application of administrative and criminal liability measures for tax violations;
- indicator of assessment of misuse of identification codes of products (goods and services);
- indicator of existence of creditor debt of business entities.

Indicators giving additional points include 4 incentive criteria, and based on these criteria, business entities are given the opportunity to receive additional 45 points. These criteria include:

- indicator of ensuring employment of persons in need of social protection;
- the indicator of the increase in the number of employees who are paid more than the minimum wage;
- the average indicator of the tax amount calculated on the basis of the value added tax for the relevant sector;
- the average indicator of the tax amount calculated on the turnover tax for the relevant sector.

Result

The purpose of introducing the business sustainability rating is to form a tax culture among entrepreneurs operating in the territory of our republic, to identify reliable entrepreneurs, to prevent violations related to tax and foreign economic activity, to provide additional incentives to entrepreneurs who follow the law, and to increase the legal and economic literacy of entrepreneurs.

In addition, the rating becomes a protection system that provides entrepreneurs with reliable information about their partners. That is, dubious contracts and unfair competition will be put an end to, and the "hidden" economy will shrink.

Studying and assessing the sustainability rating of entrepreneurs is important to understand their role in the development of the economy and business environment. The results of such assessments help to identify successful entrepreneurs who are able to develop sustainably in the face of changes and challenges, and also focus on the factors influencing the level of sustainability in different industries and regions.

In order to provide accurate results, it is necessary to take into account various factors such as the entrepreneur's financial situation, his management skills, innovation potential, network connections, adaptation to market changes, etc. The sustainability rating of entrepreneurs can be useful both for potential investors and partners, and for entrepreneurs themselves, which helps them better understand and improve their strengths and weaknesses.

Conclusion



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Open Access | Peer Reviewed

Volume 34, September, 2024

Website: www.peerianjournal.com

ISSN (E): 2788-0303

Email: editor@peerianjournal.com

In conclusion, it can be noted that the stability rating of entrepreneurs is important as a means of assessing the financial, operational and strategic reliability of business. This rating allows investors, creditors and other interested parties to make informed decisions about interactions with entrepreneurs and their companies. Entrepreneurs can use this ranking to improve their business practices, attract investment and cooperation.

Compilation of the rating is based on a number of criteria, such as financial stability, business diversification, effective risk management, innovation and flexibility, reputation and trust, social responsibility and management. Entrepreneurs with high scores on these criteria can be considered more reliable and attractive to potential investors and partners.

Findings from entrepreneur sustainability ratings can be meaningful to various stakeholders, including investors, creditors, partners, and even the entrepreneurs themselves. This rating helps assess the financial and operational stability of the business, its ability to adapt to changes in the economic environment, effective risk management and other important aspects.

Nevertheless, it should be remembered that the sustainability rating of entrepreneurs is just an evaluation tool, and the decision to interact with a business should always be made based on a comprehensive analysis of all existing factors and conditions. It should also be taken into account that the ratings may change over time depending on changes in the business environment and the strategy of the entrepreneur.

Overall, the Business Sustainability Rating is a useful tool for making informed decisions and minimizing risks in business interactions to develop a sustainable and prosperous business environment.

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The Peerian Journal

Open Access | Peer Reviewed

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