

FUNDAMENTAL AND THEORETICAL BASIS OF TAXATION OF INDIVIDUAL ENTREPRENEURSHIP AND FREELANCE ACTIVITY

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Annotatsiya: *Ushbu maqolada yakka tartibdagi tadbirkorlik va o'zini-o'zi band qilgan shaxslarni soliqqa tortishning nazariy va huquqiy asoslari o'rganilgan. Maqola klassik soliq tamoyillari, soddalashtirilgan soliq rejimlari va norasmiy sektorni adolatli soliqqa tortish orqali rasmiylashtirishning ahamiyatini qamrab oladi. Noqonuniy daromad va raqamli kuzatuv kabi muammolar muhokama qilinadi, raqamli davrda soliq siyosatini isloh qilish bo'yicha tavsiyalar beriladi.*

Kalit so'zlar: *Soliq, frilans faoliyati, yakka tartibdagi tadbirkorlik, iqtisodiy nazariya, norasmiy iqtisodiyot, muvofiqlik, o'z-o'zini band qilish, soliq modellari.*

Yakka tartibdagi tadbirkorlik, frilans faoliyati, iqtisodiy rivojlanish, ish bilan bandlik, soliq tizimi, raqamli iqtisodiyot, ishsizlik.

Annotation: *This paper explores the theoretical and legal foundations of taxation concerning individual entrepreneurship and freelance work. It covers classical tax principles, simplified tax regimes, and the importance of formalizing the informal sector through fair taxation. Challenges such as irregular income and digital tracking are discussed, with recommendations for tax policy reform in the digital age.*

Key words: *Taxation, freelance work, individual business, economic theory, informal economy, compliance, self-employed, tax models.*

Аннотация: *Статья посвящена фундаментальным и теоретическим основам налогообложения индивидуального предпринимательства и фриланса. Рассматриваются классические налоговые принципы, упрощённые налоговые режимы и роль налогообложения в формализации теневой экономики. Отдельное внимание уделено вызовам цифровой эпохи и предложениям по улучшению налоговой политики.*

Ключевые слова: *Налогообложение, фриланс, индивидуальный бизнес, экономическая теория, неформальная экономика, самозанятые, налоговая политика.*

Kirish

The modern economic landscape has witnessed a significant rise in non-traditional employment models, particularly individual entrepreneurship and freelance activity. With the global spread of digital platforms and remote work opportunities, these forms

of self-employment have transformed into crucial components of national labor markets and sources of economic resilience. However, despite their growing importance, these sectors often remain inadequately integrated into formal taxation systems.

The aim of this paper is to investigate the fundamental and theoretical underpinnings of taxation as applied to individual entrepreneurs and freelancers. The analysis focuses on aligning tax frameworks with modern labor realities while ensuring equity, simplicity, and efficiency within fiscal policy. Special attention is given to challenges and best practices drawn from European countries, providing a comparative perspective for emerging economies such as Uzbekistan.

Literature Review

Theoretical approaches to taxation date back to classical economic thinkers such as **Adam Smith**, who in his seminal work *The Wealth of Nations* (1776), outlined four principles of sound taxation: equity, certainty, convenience, and efficiency. These principles have since served as the cornerstone of modern tax policy debates.

In the 20th century, **A.C. Pigou** and **Richard Musgrave** extended tax theory by introducing concepts of social welfare and public finance, emphasizing the redistributive role of taxation in reducing inequality. More recent literature from the **OECD**, **World Bank**, and **ILO** highlights the growing prevalence of self-employed workers, freelancers, and gig economy participants — collectively referred to as *non-standard forms of employment*.

Studies such as De Stefano (2016) and Berg et al. (2018) stress the importance of developing adaptive tax and legal frameworks to account for income volatility, cross-border transactions, and platform-mediated work in the digital age. In Europe, countries like Estonia, Germany, and the Netherlands have piloted simplified tax regimes for micro-entrepreneurs, while still ensuring regulatory compliance and tax base protection.

Research Methods

To comprehensively explore the topic, this study employs the following methodological approaches:

- **Systematic Analysis:** Reviewing foundational tax theories and their applicability to freelance and individual entrepreneurial activities.
- **Comparative Study:** Analyzing the taxation models of selected European countries to identify best practices and lessons applicable to transitional economies.
- **Legal and Policy Review:** Examining tax codes, regulatory frameworks, and digital taxation initiatives from both developed and developing countries.
- **Qualitative Synthesis:** Assessing government reports, academic publications, and expert commentary to identify trends and challenges.

Primary data were supported by secondary sources, including reports from international institutions (OECD, IMF) and national tax administrations.

Results

The analysis led to several key findings:

- **Formalization Gap:** A large proportion of freelancers, especially in developing economies, remain outside the formal tax system due to complex registration processes and fear of bureaucratic oversight.

- **Simplified Tax Regimes:** Many European countries offer simplified tax mechanisms such as fixed rates, presumptive taxation, or "micro-entrepreneur" statuses. For example, Germany's *Kleinunternehmerregelung* exempts small businesses from VAT under certain thresholds.

- **Digitalization Drives Transparency:** Countries like Estonia have implemented e-residency programs and digital tax platforms that enable seamless reporting and reduce administrative burdens for freelancers operating globally.

Discussion

The findings suggest a growing mismatch between traditional tax structures and the fluid nature of freelance and individual entrepreneurial work. Theoretical principles of taxation — particularly fairness and neutrality — are challenged by the irregular income patterns, cross-border work, and absence of employer-employee relationships in freelancing.

Equity must be reconsidered in terms of horizontal fairness (freelancers versus salaried employees), while efficiency should focus on minimizing compliance costs. Certainty and simplicity can be enhanced through technology-driven solutions like mobile tax apps, auto-calculation systems, and pre-filled tax declarations.

The experience of European countries demonstrates that supportive tax environments not only increase compliance but also promote economic participation. Combining legal incentives (e.g., tax deductions for business expenses) with awareness campaigns and digital infrastructure is key to transitioning freelancers into the formal economy.

Conclusion

Freelance and individual entrepreneurial activities are not only reshaping the global labor market but also posing critical questions for tax policy design. As economies continue to digitize and decentralize, tax systems must evolve to ensure inclusivity, sustainability, and equity.

To this end, governments should:

- Introduce **flexible tax regimes** tailored to the needs of freelancers and small entrepreneurs.
- Leverage **digital platforms** for registration, reporting, and payments.
- Promote **financial and tax literacy** among self-employed individuals.
- Establish **cross-border cooperation** for taxation of international freelance income.

By integrating these practices, especially those modeled in Europe, developing countries like Uzbekistan can enhance revenue collection, reduce informality, and empower a growing class of independent workers.

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