
The Effect of Tax on the Development of Innovative Activity

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Abstract. The article examines the relationship between taxes and innovations and analyzes the role of taxes in the development of innovative activities. The article defines the changes in the transition of tax systems to innovative activity and the conditions created for innovation. Classification doctrines and new innovation taxes apply to investments, tax incentives, and innovation-related payments, as well as government tax programs. The article explains the relationship between innovation and taxes, the role of tax policy in the development of innovative activities, and suggests a study of how tax systems can ensure adaptation to innovative innovations.

Key words: Innovation, tax system, development, changes, investments, appropriation, policy, news, analysis, role

Introduction. In today's rapidly evolving economic landscape, innovation is the foundation of growth and competitiveness for both countries and businesses. The role of taxation, traditionally seen as a means of financing public expenditure, is receiving more attention for its potential impact on stimulating or inhibiting innovative activities. This paper explores the delicate relationship between tax policy and innovation development. By examining how tax systems can encourage or discourage innovation through various mechanisms such as incentives, rebates, and credits, we aim to uncover important intersections where fiscal policy intersects with innovation efforts. Understanding these dynamics is critical for policymakers, businesses, and researchers as they navigate the complexities of fostering innovation while ensuring a sustainable financial foundation.

Analysis of literature on the topic. The impact of taxation on the development of innovative activities has been the subject of extensive research and debate among economists, policymakers, and business scholars. Understanding how tax policy affects innovation is critical to stimulating economic growth, competitiveness, and technological progress in modern economies.

Traditionally conceived as a means of income formation and redistribution, taxation plays a multifaceted role in shaping the incentives and behavior of innovative firms and individuals. Empirical research has explored various aspects of this relationship, highlighting both the direct and indirect effects of taxes on innovation.

An important body of literature examines how tax credits and credits specifically targeted at research and development (R&D) expenditures stimulate innovation. Countries around the world have used research and development tax credits, innovation-related spending deductions, and other fiscal measures to encourage firms to invest in innovation projects. Studies by Hall and Van Reenen (2000) and Bloom et al. (2002) emphasize the positive effect of such incentives on increasing R&D intensity and stimulating technological progress.

On the contrary, the literature also identifies possible shortcomings and unintended consequences of innovation tax policy. High corporate tax rates, for example, can reduce after-tax returns on investment in innovation, discouraging firms from undertaking risky R&D projects (Griffith et al., 2014). In addition, complex tax regimes and uncertainty surrounding tax incentives can create administrative burdens and compliance costs that can deter smaller firms and startups with limited resources from engaging in innovative activities (Czarnitzki and Hanel, 2012).

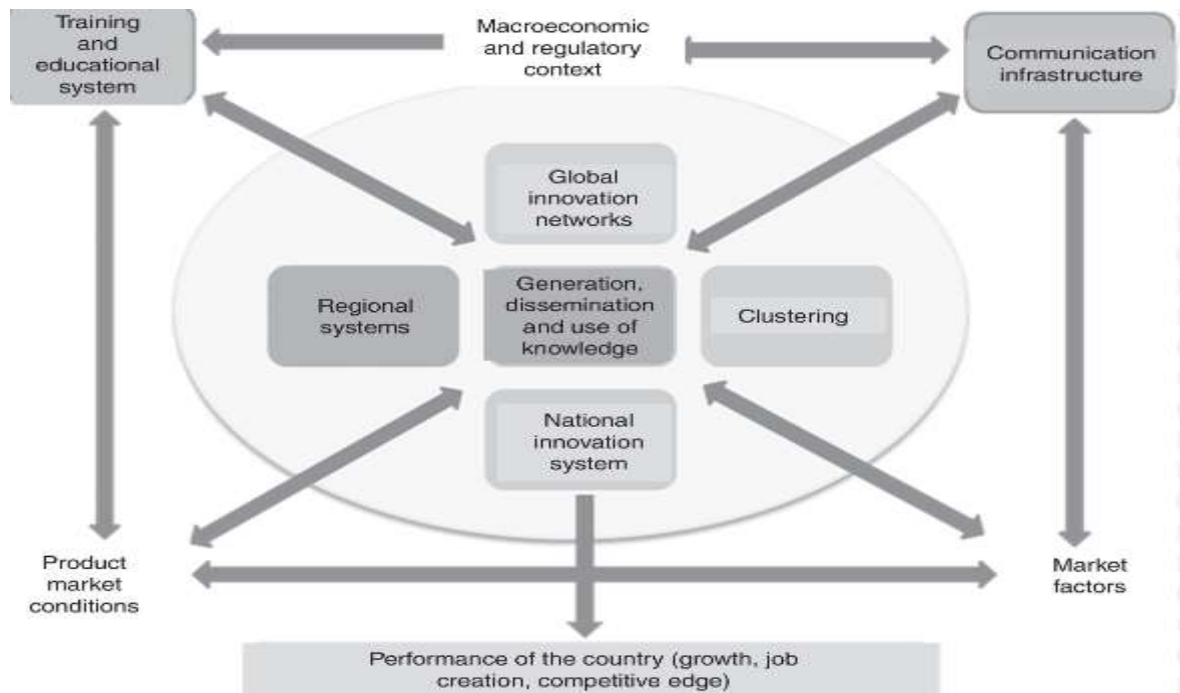
In addition, the literature examines the broader economic impact of tax policy on innovation ecosystems. For example, studies by Aghion et al. (2016) and Becker and Sorensen (2017) how tax systems affect the allocation of talent and capital across sectors, shaping the overall innovation landscape of the economy. Differential taxation across industries and regions can distort the allocation of resources and affect the pace and direction of technological change.

In addition to the economic perspective, scholars have also looked at the social impact of tax policy on innovation. Policies that promote inclusion, such as targeted tax incentives for startups and small businesses, can democratize access to innovation-based opportunities and encourage social mobility (Aghion et al., 2020).

Based on this literature, it can be argued that while the literature provides valuable insights into the complex interrelationship between taxation and innovation, the optimal design of tax policies to encourage innovative activity is a subject of ongoing research and policy experimentation. Future research could benefit from longitudinal analyses, comparative studies across countries with different tax regimes, and interdisciplinary approaches that combine economic, legal, and sociological perspectives to deepen our understanding of this important relationship.

This literature review summarizes the main findings and debates on the impact of taxation on the development of innovative activities, highlighting the opportunities and challenges inherent in the development of effective tax policies to encourage innovation.

Research methodology. The role of state management in the introduction of innovations in the activities of market participants, which is of decisive importance in the socio-economic development of the country and the effective functioning of the market economy, is specially emphasized on the creation of the state's regulatory and support system. public documents as well. Decisions and resolutions of the President of the Republic of Uzbekistan and Cabinet of Ministers, decisions of the Cabinet of Ministers of the Republic of Uzbekistan, the process of analyzing the indicators of the development of the innovative environment from the collections of scientific and practical conferences of well-known scientists in the socio-economic field, online conclusions and suggestions are given.



Analysis and results. Using innovation and current economic changes to maintain investment is counter to certain realities. For example, new technologies have led to the reduction of man

power in systems and organizations, which is the main cause of unemployment due to organizational technical and financial problems. The list of facilities refers to the creation of new jobs by dividing production into new production and setting up production chains.

Support for innovative facilities consists of: - human factor (personal development);

- products, materials and products (types, quality, appearance);
- manufacturing production (machines, equipment, tools);
- technological processes (production, service processes);
- the field of social development (labor productivity, organizational development and learning of one's own behavior);
- organizational formation of the organization (digitalization of management, prevention of violations).

Usually, the need for innovation comes from the organization itself. In practice, there are cases when the enterprise itself becomes both a developer and a consumer of innovative technologies. Changes in technology usually provide new opportunities for the duration of the life cycle of products and services (**Figure 1**).

Figure 1. Mechanisms of emergence of innovation processes.

One of the most important parts of editing scientific and technological support is the continuous activation of rapidly developing computer technologies that accelerate the introduction of innovations into economic and social activities. The process is now the main focus of the production strategy and the use of innovative production. Thus, at the expense of these entrepreneurial funds created by cooperatives, scientific and technical complexes that produce and introduce new technologies for their production enterprises are being formed. consists of continuous activation of developing computer technologies. The process is now the main focus of the production strategy and the use of innovative production. In this way, at the expense of these entrepreneurial funds created by cooperatives, scientific and technical complexes are being created that produce and introduce new technologies for their production enterprises. (Table 1)

Table 1. Leading companies in the world in terms of innovation costs

		R&D Spending		Sales 2009 \$US mil.	Intensity (Spending as % of sales)
		2009 \$US mil.	Rank		
1	Apple	\$1,333	81	\$42,905	3.1%
2	Google	\$2,843	44	\$23,651	12.0%
3	3M	\$1,293	84	\$23,123	5.6%
4	GE	\$3,300	35	\$155,777	2.1%
5	Toyota	\$7,822	4	\$204,363	3.8%
6	Microsoft	\$9,010	2	\$58,437	15.4%
7	P&G	\$2,044	58	\$79,029	2.6%
8	IBM	\$5,820	12	\$95,759	6.1%
9	Samsung	\$6,002	10	\$109,541	5.5%
10	Intel	\$5,653	13	\$35,127	16.1%

The innovation development policy should be clear and precise in order to focus on the collection of information and the development of proposals. This, in turn, helps to show the available opportunities and serves as motivation for project participants.

In order to ensure sustainable economic growth in the country, it is very important to correctly and clearly define the priorities of scientific, technological and innovative actions of business.

Distinctive features of innovative activity are complexity and high risk. In most cases, the existing internal capabilities and capacity of firms and organizations are not sufficient to encourage the introduction of new methods.

The impetus for the implementation of these procedures comes from external sources, in particular, state aid.

Innovation is an active public policy that includes direct and indirect support in managing the establishment of innovative processes, the growth of innovative products, technologies and economies, as well as the commercialization and strengthening of security consumption. A modern market economy makes decisions based on how the state is developing and how well society is doing.

As a result, the state's innovation strategy must be closely linked to both the national economy and the state's policies on education, the courts, and the management of scientific research.

The organization of creative processes in science is based on the means of production, and the goal of innovative processes is to increase the productivity of productive work.

If we can conclude from the stages of organization of innovative processes mentioned above, in the organization of innovative processes in the enterprises of a developing economy, the sources of financing and the stages of commercialization are of great importance, and the direct or

indirect support of enterprises by the state in these stages is the organization of innovative processes. are the main factors that are important for the state, and through these aids, the state acts as a motivation to introduce innovations into the economy.

Regulating international relations in the direction of organization and development of innovation processes, creating an attractive innovation environment in the country, ensuring the development of the existing innovation infrastructure, and creating a national innovation system are mainly carried out by the state. Legal regulation of innovative processes is also within the absolute competence of the state. They are:

- Creation of regulatory legal framework for innovation activities, protection of intellectual property;

- It is carried out through the formation and implementation of state orders that provide the initial demand for innovations, which are then distributed on the market.

To implement the above tasks, the state develops and implements its strategic and tactical innovation policy.

Conclusin. In conclusion, in our opinion, the state should implement the following improvements in order to effectively implement its innovation policy:

- the state should introduce incentives for introducing innovations to the private sector. This can include promotion of export activity of enterprises or increase of indicators of production efficiency of enterprises (energy saving, labor productivity, water saving, capital efficiency, etc.).

- it is necessary to create additional mechanisms that stimulate the growth of the volume of production and duration of activity in enterprises, because these enterprises carry out activities that have a source of investment in innovations.

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