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THE IMPACT OF TAX POLICY ON THE INVESTMENT ACTIVITY OF ENTERPRISES

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Abstract: This article is devoted to the study of the impact of tax policy on the investment activity of enterprises. The paper examines the main instruments of tax regulation, including corporate income tax rates, depreciation allowances, and tax incentives for investment. Theoretical approaches to the relationship between taxation and firms' investment motivation are analyzed, along with empirical data reflecting the practical impact of the tax environment on enterprises' decisions to invest in long-term projects.

Key words: tax policy, investment activity, tax incentives, depreciation allowances, investment attractiveness, enterprises, economic growth.

Аннотация: Данная статья посвящена исследованию влияния налоговой политики на инвестиционную активность предприятий. В работе рассматриваются основные инструменты налогового регулирования, включая ставки налога на прибыль, амортизационные льготы и налоговые стимулы для инвестиций. Проанализированы теоретические подходы к взаимосвязи налогов и инвестиционной мотивации компаний, а также эмпирические данные, отражающие практическое воздействие налоговой среды на принятие предприятиями решений о вложениях в долгосрочные проекты.

Ключевые слова: налоговая политика, инвестиционная активность, налоговые стимулы, амортизационные льготы, инвестиционная привлекательность, предприятия, экономический рост.

Introduction. Enterprise investment activity is a key factor in economic growth and sustainable development in any country. The effective functioning of the corporate sector directly depends on companies' ability to attract and efficiently utilize investment resources. In today's environment, the role of the state in creating a favorable investment environment is increasing, and tax policy is one of the main tools for influencing business economic activity. Tax regulation can both stimulate and hinder enterprise investment. On the one hand, reducing tax rates, providing depreciation benefits, and tax incentives for investments create conditions for increasing capital investment, implementing innovation, and expanding production capacity. On the other hand, a high tax burden, a complex tax system, and a lack of transparency can restrict investment decisions, reducing the attractiveness of long-term projects.

This topic is of particular importance for developing countries, including Uzbekistan, where the creation of an optimal tax environment is a priority of state economic policy. In recent years, the government has taken measures to improve tax legislation aimed at stimulating entrepreneurial initiative, modernizing industry, and attracting private investment.

Main part. State tax policy is a key instrument of macroeconomic regulation, influencing the allocation of resources and shaping the investment environment. The impact of taxes on the investment activity of enterprises is manifested through changes in the cost of capital, the availability of financial resources, project profitability, and business risks. Optimal taxation can stimulate investment in innovative technologies, production expansion, and the modernization of existing assets, whereas excessive tax burdens and opaque tax systems can significantly limit

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investment decisions [1]. The mechanisms by which taxes influence investment activity are multifaceted. The main ones include: increasing or decreasing the cost of capital, creating incentives for long-term investment through tax breaks and loans, and regulating depreciation policies. Corporate taxes directly affect the net profit of an enterprise, which is reflected in the possibility of reinvestment. For example, a high profit tax rate increases the cost of capital and reduces the profitability of new projects, which reduces the attractiveness of investment. Conversely, tax incentives for companies implementing innovative projects or investing in equipment modernization increase net profit and stimulate investment activity [2].

Depreciation and investment tax incentives play a key role. They allow companies to accelerate the write-off of fixed assets and exempt a portion of their profits from taxation, thereby increasing the availability of financial resources for investment. Effective use of such instruments facilitates increased capital investment, the introduction of new technologies, and enhanced competitiveness in international markets. The example of Uzbekistan demonstrates that tax reform is significantly impacting investment activity. The country has reduced corporate tax rates, simplified tax reporting, and introduced preferences for small and medium-sized enterprises, as well as for companies operating in priority economic sectors. As a result, there has been an increase in foreign direct investment, a revitalization of domestic business, and an increase in capital investment. According to the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan, FDI inflows increased by 18% from 2022 to 2025, partly due to favorable tax policies and the introduction of investment incentives [6].

However, the effectiveness of tax incentives depends on the stability and transparency of the tax environment. Delayed VAT refunds, complex administrative procedures, and frequent changes in tax legislation can reduce entrepreneurial confidence and limit investment activity. This is especially true for developing countries, where administrative barriers and high transaction costs can offset the benefits of tax incentives. Furthermore, the size and structure of the tax burden have a different impact on different types of enterprises. Large companies are more likely to respond to a reduction in the effective tax rate because their investment projects are more capital-intensive, while small and medium-sized enterprises are more sensitive to simplified tax regimes and a reduction in the administrative burden. This requires a differentiated approach to tax policy development, taking into account the structure of the national economy and the characteristics of the business sector [7]. A comparative analysis of tax regimes shows that a combination of moderate tax rates and extensive investment incentives is optimal for stimulating investment activity. Countries with high rates, such as Germany and Japan, employ additional support measures, including grants and tax credits for innovation, which helps maintain high investment activity despite the tax burden.

Table 1.

Tax rates and investment incentives in different countries (2026)[1]

Country	*Corporate tax (%)*	*Depreciation/Investment Incentives*	*Commentary on Investment Attractiveness*
Uzbekistan	15	Accelerated depreciation, incentives for new production	Growth of FDI, increased SME activity

[1] OECD, TradingEconomics, данные национальных министерств инвестиций (2026).

			[2]; [6]
Ireland	12.5	R&D incentives, tax credits	Attracts large international companies [4]
Singapore	17	Incentives for investment in equipment and technology	High innovation activity [4]
Germany	30	Investment grants for strategic projects	High interest rates offset by grant support [5]
China	25	Incentives for high-tech zones	Attracting investment in new industrial parks [5]
USA	21	Tax credits for R&D and capital investments	Strong incentives for technology investment [5]

For Uzbekistan, the presented international practices demonstrate the potential for enhancing investment attractiveness through a combination of competitive tax rates and differentiated incentives for strategic economic sectors. Effective use of these tools ensures increased capital investment, modernization of production, and strengthening the position of national enterprises in the global market.

International experience demonstrates that tax policy is one of the strongest incentives for attracting capital. For example, countries with low corporate rates and a developed system of investment incentives, such as Ireland (12.5%) and Singapore (17%), attract significant volumes of foreign direct investment and demonstrate high rates of innovation. At the same time, countries with high corporate tax rates and complex administrative systems, such as Germany (30%) and Japan (31.5%), use additional investment support measures, including grants, tax credits, and subsidies, to stimulate long-term investment.

Thus, tax policy has a complex impact on the investment activity of enterprises through three main channels:

1. Direct impact on profits and the cost of capital.
2. Fiscal incentives and benefits that enable reinvestment in production development.
3. The administrative and institutional environment that fosters trust and predictability in the business environment.

Conclusions and suggestions. An analysis of the impact of tax policy on the investment activity of enterprises shows that the tax environment is a key factor determining the opportunities and incentives for investing in business development. An optimal combination of competitive corporate tax rates, tax incentives, and transparent administration contributes to increased profitability of investment projects, stimulates innovation, modernization of production facilities, and growth of foreign direct investment. However, excessive tax burdens, complex tax administration, and legislative instability can significantly limit investment activity, reduce entrepreneurial confidence, and hinder economic growth. An effective tax policy must take into account the specific characteristics of various categories of enterprises, ensure predictability and transparency of tax rules, and balance the state's fiscal needs with the interests of investors.

Based on the above, the following proposals for improving tax policy in Uzbekistan can be formulated:

1. Maintain competitive corporate tax rates to attract investors and stimulate the growth of national capital.

2. Expand tax breaks and incentives for innovative projects, modernization of production facilities, and strategic sectors of the economy.

3. Simplify tax administration procedures, expedite VAT refunds, and digitalize tax reporting.

4. Differentiate tax regimes for small, medium, and large enterprises, taking into account their investment needs.

5. Regularly monitor the impact of tax policy on investment activity and adjust incentive measures as necessary.

Overall, targeted tax policy, based on a combination of competitive rates, incentive mechanisms, and transparent administration, is an effective tool for increasing the investment attractiveness of enterprises and ensuring sustainable economic growth for the country.

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