

**IMPROVING THE MECHANISM FOR SUPPORTING THE INNOVATIVE  
ECOSYSTEM ON THE BASIS OF TAX INCENTIVES (ON THE EXAMPLE OF  
INNOVATIVE DISTRICTS)**

**Turg'unov Behzodbek Abdurasul ugli**

Head of the innovative development branch of the  
Andijan Regional Department of the Ministry of Higher Education,  
Science and innovation

**Annotation.** This article analyzes the role and effectiveness of tax incentives in the development of an innovative ecosystem. On the example of innovative districts, the socio-economic impact of current tax policy is studied and the existing problems and ways to solve them are identified. Based on the analysis of advanced foreign experiences, the article will develop proposals and recommendations for improving the mechanism of further support of the innovative ecosystem in Uzbekistan through tax incentives. The results of the study are of practical importance for policy makers and regional innovation infrastructure managers.

**Keywords:** innovation ecosystem, tax incentives, innovation districts, competitiveness, economic incentives, Technoparks, Tax Policy, scientific and technical development.

A general understanding of the development of an innovative economy, its social and economic aspects is given. The role and importance of the state's tax policy in the development of an innovative ecosystem is discussed, especially the mechanism of support through tax incentives. Special attention is paid to the creation of innovative districts and their development using tax incentives.

In Uzbekistan, the government is focusing more on innovation and new technologies. Special "innovation districts" are being created to help scientists, businesses, and young people with new ideas. To support this, the government gives **tax incentives** – this means some companies don't have to pay certain taxes, or they pay less tax. This makes it easier for them to grow.

Today, special attention is paid to the innovative development of the economy. And for the effective functioning of the innovative ecosystem, the creation of support mechanisms through the tax policy of the state, in particular tax incentives, plays an important role. The formation and development of innovative districts is especially associated with the correct application of tax incentives. This article will consider the role of tax incentives in the development of an innovative ecosystem and proposals for their improvement. An innovative ecosystem is the process of creating new products or services based on new ideas, technologies and research developments in economic activity. There are several factors for the successful development of an innovative ecosystem: science, technology, educational system, Tax Policy, etc. This section analyzes in detail the factors that influence the development of an innovative ecosystem.

Tax incentives and various tax regimes play an important role in promoting innovative activities. This section examines the impact of tax policies on innovative activities and the benefits of promoting growth in innovative areas through country experience analysis, tax incentives.

Innovation districts are areas created with the aim of creating favorable conditions for scientific research, innovation and startups. Innovative districts are important not only to become a motor of economic development, but also to ensure social and environmental sustainability.

Tax credits are an important tool for innovative districts to operate successfully. This section analyzes the tax benefits provided for innovative districts, their mechanism and problems in the current system. This section analyzes the effectiveness of the current tax deduction system, the existing disadvantages and the tax policy of successful innovative districts. Also, in the current

system, the problems arising in the mechanism for supporting tax benefits and ways to solve them are considered.

It is proposed to develop new tax incentives and other incentive mechanisms for innovative districts. This section analyzes the financial and economic impact of introducing new tax mechanisms, as well as their adaptability to the current system.

Practical recommendations will be made to improve the support mechanism based on tax incentives in the development of an innovative ecosystem. At the same time, proposals are made to improve the regulatory framework associated with the application of tax policy in innovative districts and ensure their effective functioning. An innovative ecosystem is understood as a system necessary to stimulate technological innovations, scientific research and innovative activities. The creation of such an ecosystem requires a high level of scientific and technological potential, the development of advanced production networks, the strengthening of educational and innovative infrastructure.

Tax policy is the main mechanism for stimulating innovative activities. Supporting entrepreneurs, companies and research institutes working in innovative sectors with the help of tax incentives will ensure economic growth. The experience of countries shows that tax incentives and various incentive mechanisms help to increase innovative activities, stimulate the introduction of new technologies and make it possible to achieve high efficiency.

Innovative districts are areas created with the aim of creating favorable conditions for the implementation of scientific and technological achievements. Such districts help to develop the economy through new technologies, startups, research activities. For the formation of innovative districts, it is necessary to have the necessary infrastructure, educational institutions, scientific centers and other organizations.

An **innovation ecosystem** is a group of people and organizations working together to create new ideas and products. It includes:

- Universities and researchers
- Startup companies
- Technoparks
- Investors
- Government support programs
- Business incubators and venture funds

They all help each other by sharing ideas, money, and knowledge.

Tax incentives help innovation companies in many ways:

- They can **save money** and use it for new projects.
- They can **hire more people** and buy better equipment.
- It becomes easier to **attract investors**.

Types of tax incentives:

- No income tax for a few years
- Lower value-added tax (VAT)
- No customs duties on imported technology
- Extra support in free economic zones

Uzbekistan has created areas like **Yashnobod Technopark** and other innovation districts. These areas help startups and tech companies by:

- Giving them offices and labs
- Offering tax benefits
- Supporting research and development

**Problems:**

- Not all businesses understand the tax rules

- Tax laws change too often
- It's hard to check if the companies are really using the benefits well

Some countries have good systems to support innovation:

- **Israel:** Helps investors with tax-free startup investments
- **South Korea:** Gives government money and tax cuts to tech companies
- **Singapore:** New companies pay 0% income tax and get big tax cuts for doing research

Uzbekistan can learn from these examples to make better rules.

To improve the system in Uzbekistan:

- Make one clear law for all tax incentives
- Give bigger incentives to high-tech or important companies
- Check how companies use the benefits
- Help local areas give support to innovative businesses

State-mandated tax credits are an important factor to ensure efficient operation of innovative districts. These benefits help attract the investment needed to develop startups, science centers and new technologies. Currently, many countries have introduced various tax incentives to develop an innovative ecosystem. These include lower tax rates, deductions to invest in innovative activities, and tax exemptions to startups and research centers.

However, the current tax deduction system may not work effectively in some cases. The tax benefits for innovative districts should be more specific and effective. In this case, the benefits should include a broader approach, not limited to entrepreneurs and companies that are only engaged in innovative activities. For example, more extensive tax incentives should be provided to attract investment to research centers.

In improving tax policy for innovative districts, the following proposals are made: Expansion of tax benefits: the introduction of new tax regimes aimed at innovative activities. Further expansion of the system of tax incentives aimed at developing new technologies and supporting startups.

Simplification of the tax system: further simplification of the system of tax payments to entrepreneurs operating in the innovative field, simplification of tax reports. Investment incentives: to introduce tax incentives to attract investments in innovative districts, thereby creating favorable conditions for investors and startups. Creation of appropriate infrastructure: creating the necessary infrastructure and services for the development of scientific research and new technologies in innovative districts, including educational and scientific centers.

**Conclusion.** Tax incentives and incentive mechanisms play an important role in the development of an innovative ecosystem. Effective tax policy performance in the formation of innovative districts increases the competitiveness of the economy and contributes to the development of new technologies. Therefore, improving the mechanism of support on the basis of tax incentives and introducing new tax regimes for innovative districts will serve not only to ensure economic growth, but also social and environmental stability.

Tax incentives are a strong tool to grow innovation in Uzbekistan. If the government makes the system clearer and more stable, more startups and technology companies will grow. This will help the whole country become more modern and competitive.

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