

# INVESTMENT ACTIVITY IN FREE ECONOMIC ZONES IN OUR COUNTRY

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## Abstract:

Free economic zones (FEZs) offer unique investment opportunities and incentives to attract foreign and domestic investments. Here's an overview of investment activity in FEZs in our country.

**Key words:** FEZ, tax rate, economic zone

### Introduction

**Tax Incentives:** FEZs typically provide tax holidays, reduced tax rates, and other fiscal incentives to attract businesses and encourage investment. These incentives can significantly reduce operating costs and increase profitability for investors. **Simplified Regulations:** FEZs often have streamlined regulations and simplified bureaucratic procedures to make it easier for businesses to establish and operate.

Tax incentives play a crucial role in attracting investment activity in free economic zones (FEZs) in our country. These incentives include:

- **Tax Holidays:** FEZs often offer tax holidays for a specified period, typically ranging from 5 to 10 years. During this period, businesses are exempt from paying corporate income tax and other taxes, significantly reducing their operating costs.
- **Reduced Tax Rates:** After the tax holiday period, businesses operating in FEZs may benefit from reduced tax rates compared to the rest of the country. These reduced rates can apply to corporate income tax, value-added tax (VAT), and other applicable taxes.
- **Exemptions from Import and Export Duties:** FEZs may offer exemptions from import and export duties on goods and equipment used in business operations. This can reduce the cost of importing raw materials and exporting finished products, improving profitability.
- **Tax Credits and Deductions:** Some FEZs provide tax credits or deductions for specific

investments, such as research and development (R&D) or capital expenditures. These incentives encourage businesses to invest in innovation and expand their operations.

- **Special Tax Regimes:** FEZs may have special tax regimes tailored to specific industries or sectors. These regimes offer customized tax incentives and benefits to attract investment in targeted areas.

**Benefits of Tax Incentives in FEZs.** **Reduced Operating Costs:** Tax incentives significantly reduce operating costs for businesses, increasing their profitability and making them more competitive in the global market. **Attracting Foreign Investment:** Tax incentives are a key factor in attracting foreign direct investment (FDI) to FEZs. They provide investors with financial benefits and make it more attractive to establish operations in the country. **Promoting Local Investment:** Tax incentives also encourage local businesses to invest in FEZs, contributing to economic growth and job creation. **Encouraging Innovation and R&D:** Tax credits and deductions for R&D incentivize businesses to invest in innovation and develop new technologies, enhancing the country's technological capabilities. **Stimulating Export Growth:** Exemptions from import and export duties reduce the cost of exporting goods, making it more feasible for businesses to expand into international markets and increase foreign exchange earnings.

This reduces red tape and saves time and resources for investors. **Access to Infrastructure and Utilities:** FEZs are often equipped with modern infrastructure, including reliable power supply, transportation networks, and telecommunications systems, which are essential for business operations and investment. **Skilled Workforce:** FEZs may have access to a skilled and specialized workforce, trained in specific industries or sectors. This can attract businesses looking for a qualified workforce and reduce training costs. **Proximity to Markets:** FEZs are often strategically located near major markets or transportation hubs, providing businesses with access to domestic and international consumers. This can expand market opportunities and increase sales potential. **Sector-Specific Focus:** Some FEZs focus on specific industries or sectors, such as manufacturing, technology, or tourism. This attracts businesses operating in those sectors and creates a cluster effect, fostering innovation and collaboration. **Government Support:** Governments may provide additional support to businesses operating in FEZs, such as grants, subsidies, or technical assistance. This support can offset investment costs and encourage long-term investment.

**Benefits of Investment Activity in FEZs:**

- **Economic Growth:** FEZs contribute to economic growth by attracting foreign direct investment (FDI), creating jobs, and stimulating local businesses.

- **Job Creation:** Investments in FEZs lead to the creation of new employment opportunities in various industries and sectors.

- **Technology Transfer:** FEZs can facilitate technology transfer from foreign investors to domestic businesses, enhancing productivity and innovation.

- **Export Promotion:** FEZs often focus on export-oriented industries, increasing exports and foreign exchange earnings for the country.

- **Regional Development:** FEZs can contribute to regional development by attracting investment to less developed areas and creating economic opportunities.

It can be seen that various economic mechanisms are being used to increase investment activity in the context of increasing "economic wars" for the global flow of investments. It should be noted that one of such mechanisms is special economic zones. When talking about the importance of these regions, it is important to establish special privileges in the development of the regional economy, to deepen the division of labor, to adopt special development programs, to establish special economic zones in some regions with a low level of economic development. trends are developing.

Studies show that the practice of organizing special economic zones is widely used as one of the effective economic mechanisms for the development of the regional economy in the world. The reason is that relatively free economic management is established in these regions, with the direct intervention of the state in the economy being limited.

It should be noted that "Free economic zones are mainly established in favorable geographical areas with access to large regional markets and areas rich in raw material resources. This increases the possibility of selling goods produced or packaged in these economic zones. In industrially developed countries, these zones are established in regions where the infrastructure is not developed and the rate of development is lower than in other regions of the country. This creates an opportunity to provide employment to the population, to direct internal and external financial resources to their territory, to develop areas with underdeveloped infrastructure."

For the rapid development of the economy, the activation of the flow of financial resources and the continuity of their attraction are naturally required. Improving the activities of the special economic zones created for the purpose of developing economic sectors, including foreign investments and infrastructure sectors in our country at the expense of foreign investments, attracting modern technologies to them, modernizing economic management mechanisms through digital technologies are important directions of today's economic policy. is considered

In our opinion, special economic zones can be located not only inside the country, but also outside the country, that is, in the form of an enclave[15].

In this regard, by increasing the confidence of foreign investors in the country by rising to higher ranks in the international rankings and indices in the fields, which are announced annually by the leading and influential organizations, financial institutions, and scientific research organizations in the international arena, our republic measures are being implemented aimed at carrying out important structural reforms aimed at further increasing investment attractiveness in order to strengthen, strive for higher positions in international ratings.

The main goal of the establishment and development of special economic zones in the Republic of Uzbekistan is not only to create new jobs and to solve the problems of increasing the level of socio-economic development of the regions, but also to integrate the national economy into the modern international market. It is the establishment of production of high-tech, import-substituting and competitive products in foreign markets by qualified specialists using modern technologies and capacity building.

The existence of special zones in the economy actively attracts foreign direct investments, fills domestic markets with quality products, modern technologies and innovative developments, implementation of modern corporate management methods, increases employment, export potential of the country and creates an opportunity to increase foreign exchange income, train and retrain local personnel.

- Corporate income tax exemptions: Partial or complete exemptions from corporate income tax for a specified period.
- VAT exemptions: Exemptions from value-added tax (VAT) on imported goods, services, and machinery used within the FEZ.
- Customs duty exemptions: Reduced or eliminated customs duties on imported capital goods and raw materials.
- Special tax rates: Preferential tax rates for foreign investors.

#### *Financial Incentives:*

- Subsidies and grants: Direct financial assistance to companies investing in FEZs.
- Loan guarantees: Government guarantees for loans taken by investors.

- Equity participation: Government equity investments in selected projects.
- Access to special funds: Establishment of dedicated investment funds to support projects within FEZs.

#### *Infrastructure and Logistics Support:*

- Modern infrastructure: Development and maintenance of high-quality roads, utilities, and communication networks within FEZs.
- Dedicated logistics hubs: Establishment of specialized logistics and trade zones to facilitate efficient import and export operations.
- Single-window clearance: Streamlined procedures for obtaining necessary permits and approvals.

#### *Legal and Regulatory Framework:*

- Simplified legal framework: Streamlined business regulations and reduced bureaucracy within FEZs.
- Special economic laws: Enactment of specific laws governing FEZs to provide legal certainty and clarity for investors.
- Dispute resolution mechanisms: Establishment of independent dispute resolution mechanisms to protect investor interests.

#### *Other Forms of Support:*

- Skills development programs: Training and education initiatives to enhance the workforce within FEZs.
- Foreign exchange liberalization: Relaxed foreign exchange regulations to facilitate capital movement and investment.
- Special visa regimes: Expedited visa processing and reduced visa requirements for foreign investors.

#### *Benefits of Government Support:*

- Attracts foreign direct investment (FDI) and domestic capital.
- Enhances the country's competitiveness as an investment destination.
- Creates employment opportunities and stimulates economic growth.
- Facilitates technology transfer and promotes innovation.
- Provides a testing ground for new economic policies and initiatives.

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