

## **DEVELOPMENT TRENDS OF EXCISE TAX ADMINISTRATION IN UZBEKISTAN**

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### **Abstract**

The article states that excise taxes are included in the price of excise goods and thus passed on to final consumers. At the same time, the amount of excise tax significantly determines the price level of taxed goods, and also affects consumer demand. Excise tax plays an important role in the formation of state revenues and regulation of consumption of certain goods and services. This article reviews the existing literature on excise tax administration, draws conclusions from international best practices. It defines the main directions of improvement of control mechanisms, the main focus is on policy reforms, technological integration and capacity building in tax authorities.

**Keywords:** administration, difficulties, inefficiency, compliance, revenue optimization, regulatory results, taxes and taxation, indirect taxes, excise tax, excise goods, practice of taxation of excise goods.

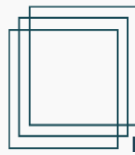
### **Introduction**

Issues of improving the system of taxation and tax administration in our country, including the mechanism of collecting excise tax, are important today. After gaining independence, since 1992, when the excise tax was first introduced in our republic, there have been continuous debates about the purpose of its collection, its amount, the import of goods, including from the CIS countries, and the procedure for calculating and collecting the tax. Therefore, researching the main areas of improvement of excise tax in our republic and developing solutions to controversial issues in this regard is only appropriate from the perspective of research and analysis of theoretical factors of indirect taxation and tax administration, as well as world experience.

### **Analysis of literature on the topic**

Excise tax is recognized as an effective form of indirect taxation in a number of countries at different stages of economic development.

According to M.V. Kashirina, the excise tax system is complex. There is a problem of excise duty and control over the circulation of alcoholic products, because their sales volume corresponds to the scale of development of illegal production, and large amounts of funds circulate outside the state budget. The solution to the problem may be to strengthen control over the production of alcoholic products and create conditions for creating a sufficient tax base in the excise system[1].



"Excise tax is one of the components of indirect taxes" by S. Delipalla. Excise duty on imports into Malaysia and on locally manufactured goods as set out in Section 6 of the Excise Act 1976. This tax is used as a mechanism to change the trend of public consumption or social engineering. Commodities subject to excise duty under the Excise Act include liquor, tobacco, cigarettes, cigars, four-wheel drives, multi-purpose vehicles and playing cards" [2].

D.E. Giles, L.M. Tedds defined smuggling activities as all transactions, whether legal or illegal, market or non-market, carried out for the purpose of evading tax from the tax authority. Indirect tax evasion is often associated with smuggling, especially tariff crimes. Smuggling crimes affect monetary and non-monetary revenues such as embargoes, product quality and quotas [3].

O.T.Hai and L.M.See conducted a study on non-compliance due to the difficulties encountered in the measurement of companies, whether intentionally or unintentionally involved in tax payments. Therefore, this study focuses on the incidence and factors of excise tax evasion among importers as taxpayers[4].

In addition, the French economist F. Demezou noted: "Excise alone is capable of providing all other tax revenues and more" [5].

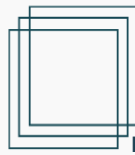
According to L. V. Borovko, "the perspective direction of the current tax policy and conceptual excise tax is to form a socially oriented model and ensure its effective development" [6].

According to O.R. Tegetaeva, "excise tax is part of indirect tax, now its main importance is that it is a criterion for assessing the state and prospects of social consumption of the population" [7].

M.A.Troyanskaya and Yu.O.Nizamieva stated that "as an effective form of indirect taxation, it is important to create opportunities to use the excise tax as a means of regulating consumption and stimulating production, and ensuring their stability" [7]. A general analysis of the above-mentioned opinions showed that there are three different approaches to understanding the essence of the concept of "necessity of excise tax". E. Gadoev, T. Malikov can be cited as examples of our scientists who have been contributing to the development of taxation practice in our country. However, it is worth noting that in the scientific research conducted in our country, the practice of taxation of excise goods and the subject of excise tax administration have been studied very little.

### **Research Methodology**

In this article, comparative analysis and induction and deduction evaluation methods were used. Using the comparative method, scientific conclusions were given to clarify the practical importance of creative approaches in effectively managing the practice of taxation of excise goods.



## **Analysis and Results**

After gaining independence, since 1992, when the excise tax was first introduced in our republic, there have been continuous debates about the purpose of its collection, its amount, the import of goods, including from the CIS countries, and the procedure for calculating and collecting the tax. Therefore, researching the main areas of improvement of excise tax in our republic and developing solutions to controversial issues in this regard is only appropriate from the perspective of research and analysis of theoretical factors of indirect taxation and tax administration, as well as world experience.

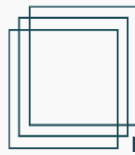
It should be noted that excise tax is recognized as an effective form of indirect taxation in a number of countries at different stages of economic development. At the same time, the excise tax is now successfully used in the practice of global taxation. The main reason for the wide distribution of excise tax from ancient times to the present day is the importance of its fiscal nature and the high level of collection. Even in 1666, the French economist F. Demezou emphasized this: "excise alone is capable of providing all other tax revenues and more." Therefore, today, the improvement of the excise tax administration remains one of the urgent issues before the tax authorities in our republic.

The excise tax forecast of 17,181.4 billion soums was provided by 15,132.9 billion soums (2,048.5 billion soums or 11.9% less). In 2023, there were 4,596 excise tax payers, of which 5 did not submit tax reports. The tax debt for this type of tax amounted to 206.3 billion soums as of 31.12.2023 and decreased by 67.9 billion soums compared to the beginning of the year (274.2 billion soums), 28.5 billion soums during the year Soums (13.8 percent) of bad tax debts (including 28.4 billion Soums based on bankruptcy) were written off. The amount of overpaid tax amounted to 468.0 billion soums as of 12/31/2023, which increased by 348.3 billion soums compared to the beginning of the year (119.7 billion soums).

During the year, 16,656.0 billion soums of taxes were calculated, and the amount of benefits was 1,236.1 billion soums (7.4%). In 2023, payments of 10.3 billion soums for excise tax were made in 1.7 thousand cases and returned in the following months.

In addition, 1.1 billion soums of excise tax were paid by 8 enterprises during the year without tax calculation. The rate of excise tax collection in 2023 was 87.3 percent.

Based on Articles 2891, 2892, 2893 of the Tax Code, tax rates are set for 8 types of tobacco products, 4 types of alcohol products, 6 types of oil products and other excise goods and services. However, tax authorities do not keep analytical reports on production and sale volumes of 16 types of excise goods, tax amounts that should be calculated and actually calculated. Among them: - In addition to the creation of marking codes in the "Original Mark" National Information System, tasks such as improving the system, keeping reports correctly, and providing information to tax authorities about suspicious situations have not been performed;



- analysis and control work based on the data of the information system has not been carried out in a systematic way, the technical possibility for full and free use of the data in the system has not been created for the tax authorities;
- coverage of only 42% of entities selling products for which the mandatory digital marking requirement has been introduced;
- it was determined that an information system for online accounting of the volume of production and circulation of consumption and technical ethyl alcohol, alcohol and tobacco products has not been created, and proposals for their elimination were presented.

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Indirect tax revenues in 2023 amounted to 83.3 trillion soums, which increased by 11.9 trillion soums or 16.7% compared to 2022-2022. From this:

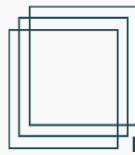
Value added tax - 57.9 trillion soums (increased by 5.7 trillion soums or 10.9% compared to 2022);

Excise tax - 15.8 trillion soums (increased by 2.4 trillion soums or 17.7% compared to 2022); Customs duty - 9.6 trillion soums (increased by 3.9 trillion soums or 67.2% compared to 2022).

### **Picture. In Uzbekistan in 2023, receipts by types of indirect taxes, receipts by types of indirect taxes**

Excise tax revenues in Uzbekistan in 2023 will amount to 15.8 trillion soums, an increase of 2.4 trillion soums or 17.7% compared to the revenues of 2022.

During 2023, excise tax revenues collected by tax authorities amounted to 15.1 trillion soums, which increased by 2.1 trillion soums or 15.7% compared to 2022. Excise tax



revenues in the administration of customs bodies amounted to 701.4 billion soums, which increased by 323.6 billion soums compared to 2022.

Excise tax revenues in 2023 were as follows:

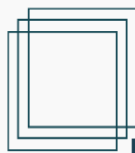
- alcohol products (including beer products) - 1.9 trillion soums (2022 - 1.5 trillion soums);
- tobacco products - 2.3 trillion soums (2022 - 2.0 trillion soums);
- oil products - 278.6 billion soums (2022 - 572.5 billion soums);
- natural gas - 5.5 trillion soums (2022 - 4.2 trillion soums);
- polyethylene granules - 215.0 billion soums (2022 - 251.4 billion soums);
- mobile communication services - 974.9 billion soums (2022 - 868.0 billion soums);
- excise tax on sales of gasoline, diesel fuel and gas to the final consumer - 3.6 trillion soums (2022 - 3.4 trillion soums).

From March 1, 2023 to December 31, 2023, oil in 2023 due to the establishment of a "zero" excise tax rate for manufacturers of AI-80 gasoline products imported, produced by local enterprises and sold to final consumers by business entities caused a decrease in excise tax revenue from products by 293.9 billion soums. Due to the fact that the sales volume of polyethylene granules in 2023 decreased compared to 2022, the excise tax revenue for this product decreased by 36.4 billion soums.

By the end of 2023, 552,400 tons of gas condensate were extracted in the republic, 407,600 tons of gas condensate were imported for 2.6 trillion soums (the price of 1 kg is 6.5 million soums on average). In January-May 2024, 244,800 tons of gas condensate were extracted, 130,100 tons of gas condensate were imported for 1.0 trillion soums (the average price of 1 kg is 7.9 million soums). From January 1, 2022, the tax rate for the use of underground resources was reduced by 3 times (30%) for natural gas, 2 times for oil (20%) and gas condensate (20%) to a single 10% (in 2022, 538.1 billion soums are allocated to the budget I'm less taxed). 66 rubles per 1 ton in Russia, 0% excise tax in Ukraine. In Saudi Arabia, depending on the volume of mined or processed products, 50% to 85% corporate income tax is paid, in the UAE it is 9%.

Today, the average retail price of 1 pack of domestically produced filter cigarettes is 16,500 soums, and the excise tax included in this price is 5,717 soums or 35%. This indicator is 2 times lower than the recommendations of the World Health Organization. It was presented by experts of the International Monetary Fund at the end of the mission held on April 12-22.

Also, according to WTO requirements, excise tax rates should be the same for goods imported and produced in the republic. Also, in the appeal of JSC "UZBAT" to the Ministry of Economy and Finance and the Ministry of Investments, Industry and Trade dated April 23, 2024, from January 1, 2025, the fixed rates of excise tax for filter cigarettes should be increased to 313,000 soums per 1000 pieces and the ad valorem rate canceled suggested to do. The society sold 9,154 million cigarettes worth 2.4 trillion soums in 2023, and 5,085 million cigarettes worth 1.4 trillion soums in 6 months of 2024. A total of 2.3 trillion soums in 2023 (2,033 billion soums at a fixed



rate, 245 billion soums at an ad valorem rate), 1.4 trillion soums in 6 months of 2024 (1,275 billion at a fixed rate, 0 billion soums, 146.0 billion soums at ad valorem rate) excise tax was calculated. If the proposals of JSC "UZBAT" on tax rates are taken into account, the amount of the fixed rate will increase by 25% from the current rates, in the volumes of 2023 832 billion soums (41%), in the volumes of 6 months of 2024 108 billion soums (25 %) tax revenues may increase.

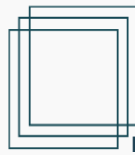
Enterprises do not pay excise tax on natural gas import and sale of imported gas. However, the amount of excise tax is included in the definitions used in the sale of imported natural gas to consumers. This amount of excise tax is paid by consumers and remains unpaid to the budget. Due to this, 1,327.5 billion soums of excise tax was lost to the budget. In the 6 months of 2023, 2,312.7 million cubic meters of gas were imported by the republic, and in the corresponding period of 2024, it amounted to 5,242.6 million cubic meters, an increase of 2.2 times.

The volume of gas in the domestic market decreased by 2,015.3 million cubic meters (10.7%) in the first half of 2024 (16,831.5) compared to the corresponding period of 2023 (18,846.9). In practice, there is no way for the tax authorities to determine whether imported gas and gas produced on the domestic market have been realized, and due to this, problems remain in the tax administration. Also, based on the requirements of the World Trade Organization, the excise tax rates for imported and domestically produced goods should be the same. This proposal is made due to the consideration of Uzbekistan's membership in the World Trade Organization.

Clause 38 of the "General Technical Regulation on the Safety of Non-Alcoholic Beverages", approved by Cabinet of Ministers Resolution No. 345 dated June 1, 2020, specifies that Non-Alcoholic Beverages should be packaged in such a way as to exclude the possibility of imperceptible damage to the integrity of the packaging or the device that covers the packaging. passed. That is, it is indicated that non-alcoholic beverages must be sold only in packaging, otherwise it is prohibited to sell them. Therefore, in Article SK-289-3 of the SK, it is appropriate to exclude the words "packaged in consumer packaging". In the letter No. 01-44 sent to the Ministry of Economy and Finance on February 15, 2023, "Bektemir-Spirit Experimental Plant" JSC requested an explanation regarding the production of "grain distillate" at the enterprise and the subjection (not subjection) of this product to excise tax. It should be noted that the current legislation does not specify the excise tax on the "grain distillate" product. From a technological point of view, both rectification and distillation methods ultimately produce ethyl alcohol.

### **Conclusions and Suggestions**

According to the current legislation, excise duty is calculated for rectified ethyl alcohol from food raw materials, technical ethyl alcohol from the rectified and etheraldehyde fraction, and the initial fraction of ethyl alcohol.



With the introduction of an excise tax on this product, the production of low-quality grain distillate will be controlled and the secret economy will be eliminated. According to the preliminary calculation, as a result of the introduction of excise tax on this product, an additional tax revenue of 39.6 billion soums will be provided to the budget. It would be appropriate to add carbonated beverages containing sugar or other sweetening or flavoring substances to Article 289-3 of the Tax Code. With this proposal, misunderstandings regarding the calculation of excise tax in the practice of selling syrup products from "COCA KOLA" and "PEPSI" mixed with water and carbonated in disposable cups using special equipment, which are common in catering or trade enterprises, will be resolved.

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