

# ROLE OF TAXES IN IMPORT OPERATIONS

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**Abstract.** This article presents the role of taxes in import operations, the amount of indirect taxes in state budget revenues, the amount of customs duty in state budget revenues, the composition of activities related to the increase in customs duty, the procedure for taxation when importing goods into the country, stages of control of movement of imported goods and prevention of violations of taxes and customs fees, import dynamics of the Republic of Uzbekistan with major partner countries were studied. Also, scientific discussions and proposals were made to study the role of taxes in import operations.

**Keywords:** export, import, trade transaction, financial benefits, taxpayer, value added tax, excise tax, state budget, customs duty, tax benefits, customs administration, reimport, customs receipts, taxation, customs, tax, currency, tax control.

## INTRODUCTION

It is known that special attention is being paid to the use of tax control in order to increase the targeting of the financial support of the exporting enterprises by the state, and to achieve full delivery of products certified by documents to consumers in import operations, such as improving the mechanism of regulating foreign trade operations by means of taxes, taxing importers in a general manner when the benefits of taxes and duties are not used as intended, and using an effective system of applying universally recognized international norms and standards in the field of tax control in export-import transactions.

In Uzbekistan, systematic practical work is being carried out on the regulation of the economy and additional stimulation of the activities of business entities by means of taxes. It is important to further develop export activities, improve the procedure for applying financial incentives to expand the production of competitive products among entrepreneurs, justify proposals and scientific recommendations on the study of factors affecting tax control in foreign trade, and the importance of tax control in import operations in the international market.

## Literature review

According to Z. Gurbanov, "it is necessary to improve the methodology of tax audit of export operations based on the economic importance of exporting goods, works, and services abroad in strengthening the currency reserve of our country".[1]

In Tashmurodova's scientific works, the ways of effective use of taxes were researched.[2]

In his research, Islamkulov studied the issues of ensuring the stability of tax revenue in budget revenues.[3]



The results of the research conducted by Sh. D. Ergashkhodzhaeva show that promotion of export activities depends on the composition and development characteristics of the world market.[4]

According to L. Goncharenko, "the modern level of interdependence of the participants of the tax relationship consists of two elements of control that make up the tax administration, including the control of taxpayers' compliance with tax legislation; control of tax authorities' enforcement of laws".[5]

A. Advokatova defined tax control as following: "Tax control, as an integral part of the tax administration system, ensures the solution of problems facing the state in all aspects of society, provides directions and ways to improve the legal mechanism of the most effective formation, distribution and use of the state's financial resources." implementation of the financial policy of the state".[6]

### **Research methodology**

This article shows the importance of tax control in foreign trade operations using methods such as scientific analysis and grouping.

### **Analysis and results**

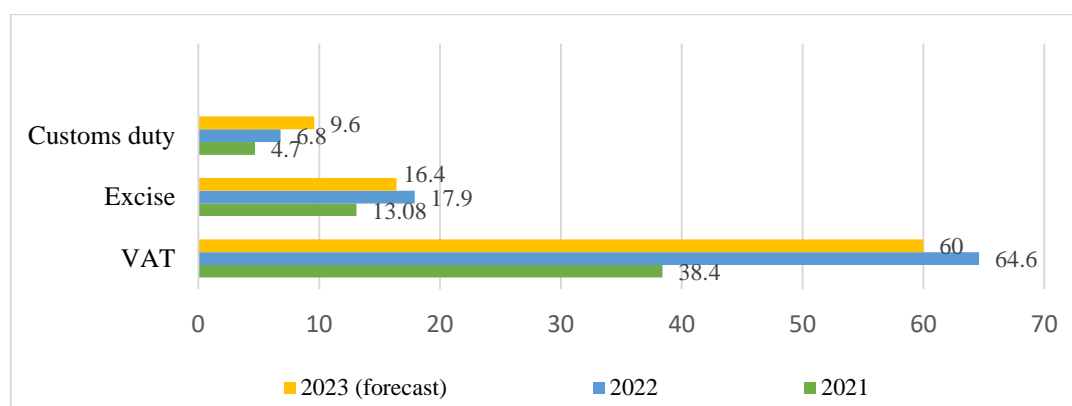
It is known that a large part of the state budget income consists of taxes. A large share of it comes from indirect taxes. The majority of indirect taxes are value added tax and excise tax.

Adjustments to the amount of tax paid (due to be paid) on the goods (services) actually received, which were not taken into account due to the suspension of the validity period of the VAT certificate, in the case of the restoration of the validity period of the certificate, the taxpayer and his buyers for the period during which the validity of the certificate was suspended (admission to the account) was introduced. Taxpayers registered in the interregional state tax inspectorate for large taxpayers were given the right to cross-check the VAT amounts that should be reimbursed from the budget at the expense of VAT payment during the importation of goods.

Mutual accounting of VAT is carried out automatically by tax and customs authorities. For this purpose, when the taxpayer who is a participant in foreign economic activity is issuing a customs-cargo declaration, it is necessary to make a mark that VAT has been paid at the time of import at the expense of the amount that should be covered (Jia, X., Cui, Y., Patro, R., Venkatachalam, S., Kanday, R. & Turayevich, J. (2023)).

Indirect tax receipts are 3.3 trillion soums less than the set forecast indicators, or 96.3%, and actual implementation is expected to be 85.9 trillion soums.

"In 2023, indirect taxes are expected to make up the main part of the State budget revenues and make up 36.8% of the total revenues".[7]



**Figure 1. The amount of indirect taxes on state budget revenues (in billion soums)[8]**

Analyzing the figure 1 shown above, revenues from value added tax are 4.7 trillion soums less than the forecast indicators, or 92.8%, and actual implementation is expected to be 60.0 trillion soums. This is 7.8 trillion soums or 14.9% more than last year's income. In this case, the decrease in the production of energy resources, the delay in the review of tariffs, the decrease in the price of cotton fiber, grain and chemical fertilizers in the world market, and the increase in the cost of enterprises in unfavorable weather conditions led to the loss of tax revenues.

It is known that the period of application of the zero-level customs duty on certain goods imported into Uzbekistan has been extended until January 1, 2024. Tax benefits provided to budget organizations on income from the sale of goods (services) in 2024

It was extended until January 1. In addition, for 2023, the highest rates of fees for the right to retail trade with certain types of goods, as well as the rates of fees for the entry and transit of vehicles of foreign countries into Uzbekistan, have been kept at the level of 2022.

It can be seen that this does not take into account the compensation amounts. The increase in state budget revenues can be explained by the abolition of tax benefits, the increase in the number of taxpayers, and the implementation of tax reforms. Economic growth is being achieved through the ongoing efforts to improve tax and customs administration.

International financial institutions use the efficiency ratio of value added tax in the analysis of revenues from value added tax. In turn, this situation is expressed by the implementation of different tax rates and tax reimbursement procedures in each country.

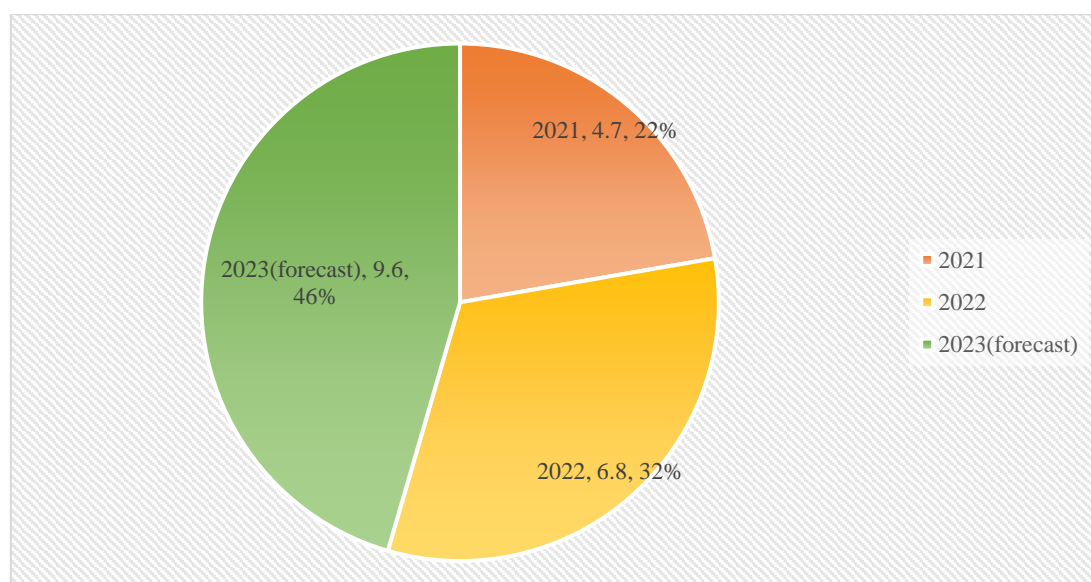
For example, the average indicator for the countries of the Organization for Economic Cooperation and Development is around 60%, which indicates that with turnovers that are not subject to value added tax, as well as tax rates are not high.

On the other hand, according to the 2022 forecast, the reduction of the excise tax in the implementation of import operations compared to the previous two years, starting from August 1, 2020, the excise tax for transport vehicles and from January 1 of the next year for 73 goods, mainly food, technical goods, etc. is represented by the cancellation of the excise tax. According to this practice, the volume of goods subject to excise tax during import operations

is reduced to from 978.60 million US dollars to 557.60 million US dollars. In turn, the abolition of excise duty on certain types of goods serves to legalize the official import operations of these goods.

It is known that in the country, the procedure for compensating the tax is being carried out due to the fact that the amount of value added tax is more than the estimated tax amount, together with the income of the value added tax in the country.

In our opinion, the increase in the amount of value-added tax in the state budget revenues is represented by the creation of a uniform competitive environment in the economy based on the cancellation of tax and customs benefits, as well as the further improvement of the administration of the collection of this tax.

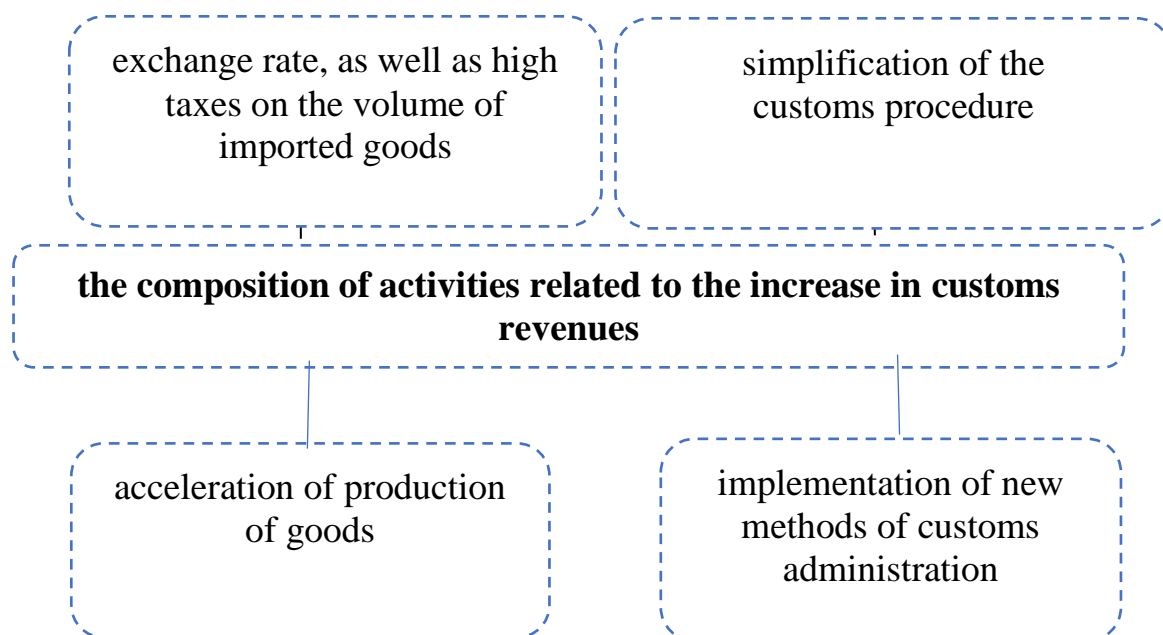


**Figure 3. The amount of customs duty in the state budget revenues (in billion soums)[8]**

If we analyze the amount of customs duty in the state budget revenues in the period of 2021-2023 (forecast), 4.7, 6.8, 9.6 respectively. We can observe that the amount of customs duty in the state budget revenues has increased to a certain extent over the years. But despite the fact that the customs duty increased by a certain amount, it remained around 2-3 percent of the state budget revenues.

It is known that starting from April, 2023, the existing exemptions from customs duty on property brought into the customs territory for their production needs by enterprises with participation of foreign investments in the authorized fund (authorized capital) with a share of foreign investments of at least 33 percent have been canceled.

The increase in state budget revenues is influenced not only by the economic growth of the country, but also by the higher prices of precious metals in the world markets and, at the same time, by the improvement of the procedure of tax control in foreign trade.



**Figure 4. The composition of activities related to the increase in customs duty[8]**

In general, the large share of taxes in the value of imported goods, the increase in the exchange rate, the simplification of the customs procedure, the expansion of production, the implementation of new methods of customs administration have an effect on the activities related to the increase of customs duties.

When import operations are carried out in the country, taxation is carried out in the following order depending on the customs regime:

- goods placed in accordance with the customs regime for the implementation of import operations are taxed;
- for the goods placed under the customs regime during reimport, if the economic entities are engaged in export activities, the payments for the exported goods will be returned to them;
- re-export, transit of goods declared at the customs office, duty-free trade and free customs area, customs warehouse waiver in favor of the state are not taxed in the customs regime;
- tax is not imposed when the processing is carried out under the customs regime and the processed products are taken out of the country's customs at a certain time;
- do not pay full or partial tax on temporary importation of goods according to the customs procedure;
- when processing goods placed under the customs regime outside the customs area, the imported goods are taxed in accordance with the regulations;
- a tax is levied when the goods placed under the customs regime are processed for domestic consumption.

Today, when import operations are carried out in the country, taxation is carried out according to the customs regime, which serves the economic growth of the country and ensuring the well-being of the population. It is known that the excise tax is calculated at a fixed



rate for goods imported during import operations, and the calculated tax amount should not be less than the fixed rate.

The procedure for payment of excise tax applied to goods during the implementation of import operations is carried out in accordance with the customs regulations.

The deadlines for the return of money paid to them in accordance with the contracts for the import operations and the "release for free circulation" regime, for the performance of work and services, or for the implementation of import operations, are as follows:

- in the case of approval by the Management Committee within the framework of the projects implemented in accordance with the Government's decisions or within the framework of the implementation of agreements on product distribution - from the terms specified in the import contracts;

- 270 calendar days from the moment of payment for the contracts concluded in the implementation of import operations of technological equipment for the needs of the organizations of the electrotechnical industry network;

- it should be 180 calendar days from the date of payment according to the contracts concluded when other import operations are carried out [9].

Certain steps are taken to control the movement of imported goods and to prevent tax and customs violations.

They are as follows:

At the 1st stage, the State Customs Service departments participate as subjects and submit information on export-import operations of taxpayers and the movement of goods to the State Tax Committee, as well as information on import operations formalized in a simplified manner based on regulatory and legal documents to the Uzstandart agency. provides. The deadline for execution is 3 days after customs clearance.

In the 2nd stage, the State Tax Service authorities will conduct control cards in each importer and analyze data through a special software product, as well as determine the level of risk of non-compliance with tax-related procedures. Expiration is done automatically by the software product.

In the 3rd phase, the State Tax Service authorities will send applications to the taxpayer in accordance with the established procedure to carry out a camera control of the activities of importers with a high and moderate risk of tax violations and to eliminate the discrepancies found in the tax reports. Execution is provided within 1 working day.

In the 4th stage, the tax service authorities conduct a thematic express study in accordance with the procedure established by the Tax Code to confirm the reliability of the information provided by the economic entities and the legality of the use of customs benefits for the taxes indicated in the importer's report. Its execution is mainly carried out within 7 calendar days.

At the 5th stage, in cases where the state tax service departments find signs of crime as a result of the control measures, the materials are handed over to law enforcement agencies in the manner prescribed by law, to the state customs service departments in cases of violations

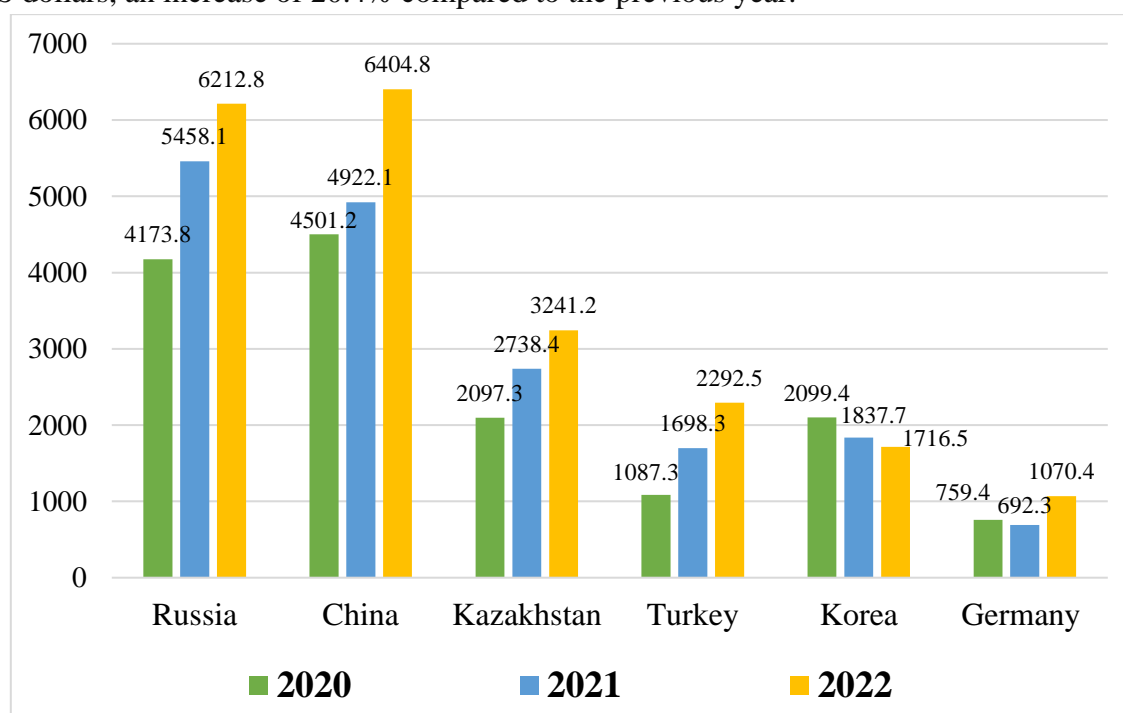


of the laws on customs, to "Uzstandart" in cases of violations of the laws on metrology and certification. provides information to the agency and relevant ministries and agencies about other violations of the law no later than 3 working days.

At the 6th stage, the authorities of the State Customs Service continuously monitor the level of compliance with the norms related to customs activities within the framework of the risk management system of the received information.

At the 7th stage, the agency "Uzstandart" controls the receipt of a certificate of conformity of measuring instruments not intended for profit by business entities in accordance with the procedure established by law, and is carried out within 2 months after customs clearance.

In 2022, the volume of imports in foreign trade turnover amounted to 30,699.3 million US dollars, an increase of 20.4% compared to the previous year.



**Figure 5. Import dynamics of the Republic of Uzbekistan with major partner countries [10]**

Also, during 2022, Russia and China were noted as the main import partners of Uzbekistan. The volume of mutual import of Uzbekistan between Russia and China was 6212,8 and 6404,8 million US dollars accordingly .

As can be seen from the data of Figure 5, the import potential of the Republic of Uzbekistan is increasing in trade relations with major partner countries, Russia and China, compared to the previous year. At the same time, according to the analysis of statistical data in the picture, it can be observed the diversification of goods in the import structure of the Republic of Uzbekistan, it means that the types of imported goods are increasing. For example,



when analyzing the types of goods imported to the Republic of Uzbekistan from Russia, China, Kazakhstan, Turkey, Korea during the years 2021-2022, mainly those engaged in business activities within the country are transport equipment, as well as machines, industrial goods, chemical and similar goods, food -import of goods such as food products, mineral fuel and services, lubricants and similar materials, and various finished goods increased.

### Conclusions and suggestions

In our country, measures are being taken to liberalize foreign economic activity, strengthen export potential, attract investments and further increase its attractiveness, and further improve customs activities.

In our opinion, the implementation of these measures will lead to the following results:

1. Support through tax and customs benefits, including individual cases, creation of an effective system of monitoring and control of the effectiveness of these provided benefits will serve to ensure healthy competition.
2. In the case of export-import operations, the customs tax system is reformed and its improvement ensures further improvement of the organizational and methodological aspects of its implementation.

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