



# The importance of excise tax in Uzbekistan and ways to improve it

**Makhmadustov Ulugbek Jalal Ogli**

**Student of the Tashkent State University  
University of Law**

## ABSTRACT

The excise tax is one of the most important taxes in the economy of Uzbekistan and brings significant revenue to the budget. However, despite this, there are some problems in the process of its administration, such as lack of transparency of procedures, the presence of unjustified benefits and problems of interaction with other tax authorities. In this regard, the improvement of the excise tax system is an urgent task for the economic development of the country. To address these challenges Measures such as simplification of administration procedures, increased transparency, reduction of unjustified benefits, improvement of interaction between tax authorities and others are proposed. In addition, it is necessary to carry out more effective work to monitor the implementation of excise tax legislation.

## Keywords:

Tax revenues, analysis, risks, efficiency, digital platform, methods and tools, advanced information and communication technologies, analysis, optimization, tax benefits, tax rate, excise tax Uzbekistan, tax system, tax administration.

## Introduction:

The study of the tax system of Uzbekistan is an important direction in the development of the country's economy. Excise tax is one of the key taxes in the tax system of Uzbekistan. It is a state revenue and plays an important role in the formation of the country's budget. The introduction of a consumption tax is important for the country's economy, as it allows you to regulate the demand for goods, reduce the cost of maintaining vehicles and improve the quality of life of the population.

However, there is a need to improve the excise tax in Uzbekistan in order to improve its efficiency and increase profitability for the country's budget. To do this, it is necessary to study the experience of other countries, as well as analyze the tax system of Uzbekistan and propose ways to improve it.

The purpose of this study is to study the importance of excise tax in the tax system of Uzbekistan and to propose ways to improve it.

Within the framework of this study, the functions of the excise tax, its importance for the economy of Uzbekistan, as well as the problems associated with its improvement will be considered. The experience of other countries, such as the United States, Russia, Germany, South Korea, etc., will be studied, as well as ways to improve the tax system of Uzbekistan will be proposed.

The emergence of a tax system at each stage of economic development is primarily associated with the movement of taxes included in it. The excise tax is the most internally variable tax in the tax system, which is in contradiction with many factors of socio-economic development. Therefore, the study of the essence of the excise tax in relation to socio-economic development is one of the most pressing problems. Since the excise tax is an indirect tax, its economic essence is characterized by financial relations based on objective mandatory payments arising between

the state and legal entities. Therefore, excise duty should be considered as a special fiscal economic category.

Excise duty occupies an important place in the general tax policy of the state, even in developed foreign countries. Excise tax is a type of indirect tax that is directly added to the price or definition of a company's products and services. The economic nature of the excise tax is manifested in the provision of the revenue side of the budget to meet the interests of the national economy, attract additional funds, and its social nature is expressed in increasing the solvency of the population, i.e. consumers. One of the functions of the excise tax is to limit certain goods that are included in the list of goods that have a negative impact on the health of people, especially young people, according to the World Health Organization.

Excise tax is one of the oldest forms of indirect taxation, which is added to the price of a certain limited type and group of goods, in contrast to value added tax.

The word "excise" comes from the French language and means "to cut off". This tax began to form a group of direct and indirect taxes in the late 17th and early 18th centuries, when administrative state apparatuses were formed in European countries. Excise tax was the main form of indirect taxes and was collected directly from 5% to 25% of goods exported and imported from the city gates. In Uzbekistan, this tax is one of the new taxes.

It should be noted that there are opinions that the excise tax serves to prevent the consumption of socially harmful goods. Excise tax is levied on goods with high profitability in Uzbekistan.

Excise tax is essentially an indirect tax included in the price of goods and paid by the end consumer. The excise tax was first introduced in 1992 in accordance with the Law of the Republic of Uzbekistan "On Taxes Levied on Enterprises, Associations and Organizations" dated February 15, 1991, which was subsequently introduced by the laws of the Republic of Uzbekistan. and taking into account changes and additions related to the transition of the republic's economy to market relations. According to the Tax Code of the Republic of

Uzbekistan, excise tax is a part of net income deducted to the budget in the form of indirect tax, calculated on the basis of price and value added tax. The excise tax has a certain similarity with the value added tax, but differs in the degree of specificity, binding to specific goods.

Indirect taxes have a long history. During the reign of the Timurids, the treasury was considered the main taxes, including the land tax (hirozh), the poll tax (dzhuzya), the obligation to supply only animals (ulak) and some exceptional taxes (ovorizot). In the Timurid era, the "stamp" levy was widespread as a direct tax, and this levy was collected mainly from artisans and merchants.

Over time, the range of these goods subject to excise taxes has expanded. At the initial stages of economic reform in Uzbekistan (1992-1994), the tax system was intended to address the issues of budget formation with a socio-economic orientation. In October 1994, excise taxes were applied to imported tobacco products, and from January 1995 to imported alcoholic beverages. At the second stage of economic reforms (1995-1997)

For the forgery of excise stamps, as well as for the sale of counterfeit excise stamps, criminal liability measures are applied in accordance with the current legislation of the Republic of Uzbekistan.

Despite the measures taken to prevent the illegal import and production of alcohol and tobacco products, cases of sale of unmarked or counterfeit excise stamps, smuggling of low-quality products can be found on the territory of the republic. The existing level of protection of excise stamps did not completely eliminate cases of their forgery and copying, as a result of which counterfeit goods are sold on the market.

On 7 January 1999, the Ministry of Justice of the Republic of Uzbekistan registered Instruction No. 589 "On the procedure for the application of excise stamps on tobacco products and alcoholic beverages in the Republic of Uzbekistan" on the production, import, storage, transportation and sale of tobacco products and alcoholic beverages in the Republic of Uzbekistan. The Republic of Uzbekistan, the State Tax Committee and the territorial bodies of the State Customs

Committee are obliged to be guided in their work by this instruction and ensure its implementation.

Since January 1, 2006, in accordance with regulatory legal acts, an excise tax of 21 percent has been introduced on liquefied gas produced by industrial enterprises of the republic. Since January 1, 2019, there have been changes in the structure of excise tax payers. Including:

- based on the issue of unification of taxes and mandatory payments with a homogeneous tax base in the concept of tax policy, the tax levied for the use of gasoline, diesel fuel and gas was combined with the excise tax;

- Cottonseed oil is excluded from the list of excisable goods. Previously, the excise tax was 459,724 soums per 1 ton of edible oil and 252,887 soums for technical oil (unsuitable for use in food products).

The excise tax on cars produced by UzAvtoMotors JSC under contracts concluded after October 1, 2019 has been canceled.

From June 1, 2020, an excise tax has been introduced on imported heating tobacco products, smoking, chewing, snuff, snus, smoking tobacco, nicotine-free snus, liquids containing nicotine.

From August 1, 2020, the excise tax rates applied when importing vehicles into the territory of the Republic of Uzbekistan according to TIF TN codes 8701, 8702, 8703 and 8704 have been canceled.

The share of excise tax in the revenues of the State budget of the Republic of Uzbekistan is second only to value added tax.

2. Excise taxpayers. Object and base of taxation

Excise tax payers are legal entities and individuals who produce and import excisable goods, regardless of the form of ownership and the established procedure for taxation. In addition, in the production of excisable goods by a general partnership, the payer of excise duty is considered to be a participant in the general partnership agreement, who is responsible for conducting the affairs of the general partnership.

According to Article 283 of the Tax Code of the Republic of Ukraine, excise tax payers are:

Excise tax payers ☐ Manufacturers of excisable goods (excisable goods) in the territory of the Republic of Uzbekistan;

- those who sell natural gas to consumers;

- ☐ selling gasoline, diesel fuel to end consumers, including through gas stations for cars, as well as gas through gas stations for cars. For the purposes of applying this section, end users are legal entities and individuals who receive gasoline, diesel fuel and gas for their needs;

- ☐ a trustee who is a member of a general partnership, who is entrusted with the task of managing the affairs of the general partnership in the production of excisable goods carried out under the general partnership agreement;

- ☐ Carriers of excisable goods through the customs territory of the Republic of Uzbekistan. In accordance with the legislation on customs, these persons are recognized as taxpayers;

- legal entities of the Republic of Uzbekistan providing telecommunication mobile services (excise services);

- ☐ Foreign legal entities operating in the Republic of Uzbekistan through a permanent establishment, producing excisable goods or importing such goods.

In accordance with the tax legislation, excise taxes are not levied:

- 1) sale of excisable goods for export (in customs export procedures), with the exception of certain types of excisable goods;

- 2) issue excisable goods made from goods placed under the customs procedure for processing in the customs territory, which are processed products, subject to their subsequent export from the customs territory of the Republic of Uzbekistan;

- 3) sale of liquefied gas to the population for domestic needs through specialized gas supply enterprises;

- 4) the following excisable goods to the customs territory of the Republic of Uzbekistan:

Import as humanitarian aid in the manner determined by the Cabinet of Ministers of the Republic of Uzbekistan;

importation through states, governments, international organizations for

the purpose of charitable assistance, including technical assistance;

import at the expense of debts of international financial institutions and international debts of state organizations, if their exemption from taxation is provided for by the loan agreement;

5) import of excisable goods into the customs territory of the Republic of Uzbekistan by individuals within the limits of the norms for the import of non-taxable goods. The highest standards for the import of tax-free goods into the territory of the Republic of Uzbekistan by individuals are determined in legal documents;

6) in the case of written confirmation of the authorized state body, the technical means of the system of operational-investigative measures received by the special body for certification of technical means of the system of telecommunications operators and operational-investigative measures.

The tax base is determined separately for each type of excisable goods (services), depending on the established tax rates.

If the tax rates on excisable goods (services) are set in an absolute (fixed) amount, the tax base is determined on the basis of the amount of excisable goods (services) expressed in kind.

When establishing tax rates on excisable goods (services) produced as a percentage (ad valorem value), the tax base is the value of excisable goods (services) sold, but not less than their actual cost.

If mixed tax rates consisting of fixed and ad valorem tax rates are established for excisable goods, the tax base is determined on the basis of the volume of excisable goods in physical terms and the value of excisable goods sold.

If the rates of interest (ad valorem) tax are established for excisable goods imported from abroad, the tax base is determined on the basis of the customs value determined in accordance with the documents of customs law.

If fixed tax rates are established for imported excisable goods, the tax base is determined on the basis of the volume of imported excisable goods in physical terms.

If mixed tax rates consisting of fixed and ad valorem tax rates are established for imported excisable goods, the tax base shall be determined on the basis of the volume of excisable goods expressed in physical terms and (or) the customs value of excisable goods determined in accordance with customs legislation. legal documents.. is defined as a day off.

The volume of gasoline, diesel fuel and gas in physical terms, sold in the sale of gasoline, diesel fuel and gas to end consumers and (or) used for their own needs, is the tax base.

Tax rates were determined by presidential decree for each calendar year. Since 2020, for the first time in our country, the state budget has been adopted in the form of a law. The Decree of the President of the Republic of Uzbekistan dated August 22, 2018 No. PQ-3917 stipulates that the state budget will be approved in the form of a law starting from 2020. For example, it has been studied whether the state budget is approved by law in all developed countries. During the drafting of the Law of the Republic of Uzbekistan on the State Budget, the draft law was developed jointly with experts from international financial organizations, including the International Monetary Fund, and the approval of the State budget as a law that fully complies with the requirements of international standards, first of all, the powers of the Parliament in the execution of the State budget, i.e. will slightly increase the accountability of ministries and departments, their accountability to Parliament, i.e. chambers of the Oliy Majlis, in pursuance of the state budget. The funds of the state budget are the funds of the people. Representatives of the parliament, our deputies, as direct representatives of this people, will have the right to distribute these funds and receive, that is, request, reports on the use of funds from these ministries and departments in the future.

Excise rates for 2020 are approved by the Law of the Republic of Uzbekistan dated December 9, 2019 "On the State Budget of the Republic of Uzbekistan for 2020" No. ORK-589 (Tax rates are attached). But their weight in the volume of state budget revenues is relatively small. Excise taxes on tobacco and alcohol

products, transport services were introduced. The excise tax rate is 10 percent.

In the UK, excise taxes are the second largest indirect tax after value added tax. Excise taxes on fuel, alcohol and tobacco products, vehicles and services have been introduced. Its rates range from 10 to 30 percent.

In Germany, most of the revenue from excise taxes is transferred to the federal budget, with the exception of the excise tax on beer, which does not go to the federal budget. Excise rates are set as a percentage and in "euros" for the wrong unit of goods. For example, the excise tax rate on insurance contracts is set at 12 percent of the amount of the insurance policy. The flat tax rate on champagne is €2 per 0.75 liters.

In the Russian Federation, since January 1, 2001, in connection with the enactment of Part 2 of the Tax Code, the scope of excise taxes has been significantly expanded, that is, wholesale trade organizations are included in the ranks of traditional excise tax payers. In the Russian Federation, the role of excise tax as a source of state budget revenues is very large, which is reflected in the high share of excise revenues in federal budget revenues.

Revenues from the excise tax on mobile communication services and alcoholic beverages, including beer, will be transferred to the republican budget of the Republic of Karakalpakstan, regional budgets of regions, the city budget of the city of Tashkent in accordance with the share of the population of the Republic of Korakalpakstan, regions and the city of Tashkent as of July 1, 2019.

### **Conclusions and suggestions:**

The administration of excise taxes in Uzbekistan is carried out by the State Tax Committee (STC) and is regulated by the Law "On Excise Taxes". Excise taxes are levied on certain goods produced in Uzbekistan or imported into Uzbekistan, such as tobacco products, alcohol and gasoline. Tax rates vary depending on the type of product and are adjusted annually.

Uzbekistan's excise tax administration system faces a number of challenges, such as high levels of tax evasion and an inadequate

monitoring system. To address these problems, the SCC has introduced various measures, including the use of electronic excise stamps and the establishment of excise control points at border crossings.

In addition, the STC has also taken measures to improve services for taxpayers, such as simplifying tax reporting and payment procedures, as well as providing online tax services.

Despite these efforts, there is still room for improvement in the excise administration system in Uzbekistan, especially in terms of strengthening the monitoring system and reducing tax evasion.

Based on the analysis, we can draw the following conclusions and suggestions for improving the administration of excise taxes for legal entities in Uzbekistan:

It is necessary to improve the mechanism for monitoring the payment of excise taxes through the use of modern technologies, such as electronic monitoring, which will help to ensure more efficient and accurate verification of tax returns.

Clearer and more transparent rules and procedures for the payment of excise taxes should be developed, as well as the process of filing tax returns for legal entities should be simplified.

It is important to ensure that tax legislation is regularly updated in accordance with international standards and best practices.

It is necessary to improve the qualifications of tax inspectors and provide them with access to modern methods and technologies for monitoring the payment of taxes.

There is a need to strengthen cooperation between tax authorities and representatives of the business community in order to ensure more efficient tax administration.

It is necessary to conduct information campaigns and seminars for legal entities on the rules for paying excise taxes and other taxes in order to increase their tax literacy and awareness.

It is important to ensure stricter penalties for violations of tax laws, including the use of fines and other disciplinary measures.

The excise administration system in Uzbekistan should continue to be improved in line with international standards and best practices in order to ensure more efficient and transparent tax administration for legal entities.

**Books:**

1. Tax Code of the Republic of Uzbekistan – Tashkent: Gafur Ghulam Publishing House, 2020. – 640 p.
2. Normurzaev, U. (2022). The results of tax reforms carried out by our government in 2018-2022 on tax administration. *Economics and Innovative Technologies*, 10(5), 325–330. [https://doi.org/10.55439/EIT/vol10\\_is5/a35](https://doi.org/10.55439/EIT/vol10_is5/a35)