



WAYS TO IMPROVE CONTROL OF EXCISE TAX ADMINISTRATION IN THE REPUBLIC OF 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

Excise tax plays a decisive role in the formation of state revenues and regulation of certain sectors. However, effective excise administration is a complex task due to various challenges and inefficiencies. Excise tax administration includes monitoring compliance, ensuring fair collection and optimizing revenue, taking into account the impact on regulated industries. In modern conditions, the study of the features and methods of improving the excise tax in the tax system is becoming more and more important and is an important component of the state economic policy, which ensures the flow of a significant part of the financial resources of the national economy. In general, the excise tax system is complex, forming historical connections with the tasks of calculating it in the state budget. It should be noted that the excise tax is an important tax that has a significant impact on filling the budget of the budget system.

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 tax and control over the circulation of alcoholic products, because the volume of their sale corresponds to the scale of the development of illegal production, and a large amount 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 an adequate tax base in the excise system[1].



By S. Delipalla, "excise tax is one of the components of indirect taxes. 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 government 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, legal or illegal, market or non-market, carried out for the purpose of evading tax from the tax authorities. Indirect tax evasion is often linked to smuggling, especially tariff offences. Smuggling crimes affect monetary and non-monetary revenues such as embargoes, product quality and quotas [3].

O. T. Hai and L. By M. See, companies involved in tax payments, intentionally or unintentionally, conducted a study on non-compliance due to the difficulties encountered in the measurement of the participation of individuals. 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 able to provide 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 the indirect tax, now its main importance lies in the fact that it is a criterion for assessing the state and prospects of social consumption of the population" [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 the taxation practice of our country. However, it should be noted that in the scientific research conducted in our country, the practice of taxation of excise goods and the topic 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 the effective management of the practice of taxation of excise goods.

Analysis and Results

It plays a decisive role in the fiscal system of Uzbekistan and makes a significant contribution to the state income. However, effective excise tax administration is essential to ensure compliance, minimize tax evasion and maximize revenue collection. The current excise tax system in Uzbekistan faces challenges stemming from factors such as complexity, enforcement gaps, and the evolving economic landscape. It includes simplifying excise tax rules, strengthening enforcement through advanced monitoring technologies, and fostering international cooperation in tackling cross-border tax evasion.



In addition, the document calls for the implementation of transparent reporting mechanisms and initiatives to raise awareness and foster a culture of tax compliance among businesses and individuals. According to estimates by the World Health Organization (WHO) and the US Central Intelligence Agency covering 189 countries, the average alcohol consumption per capita in the world in 2023 will be 6.4 liters of pure alcohol per year. Belarus - 17.5 liters, Moldova - 16.8, Lithuania - 15.4 and Russia - 15.1 liters are among the leading countries in terms of alcohol consumption.

In the territory of the former Union: Georgia - 7.45, Kyrgyzstan - 4.02, Armenia - 3.77, Kazakhstan - 3.73, Turkmenistan - 2.88, Uzbekistan - 2.45, Azerbaijan - 0.8 liters of pure ethyl alcohol consumption will be done.

Table 1 Analysis of alcohol consumption levels in partner countries ¹

Position in the rating	Country	Consumption
7	Germany	13,4
38	South Korea	10,2
45	USA	9,8
82	China	7,2
126	UAE	3,8
148	Turkey	2,0

For information: indicators of alcohol consumption in the countries of the world according to the methodology of the World Health Organization (World Health Organization) are calculated based on the analysis of statistical data on the consumption of alcohol in the countries of the world expressed in liters of pure ethyl alcohol per capita. The calculation takes into account persons 15 years of age and older. According to the World Tourism Organization (UNWTO), in countries where the number of annual tourists is at least equal to the number of residents of these countries, the consumption of alcohol by tourists is deducted. The recommended amount of alcohol per capita of the World Health Organization is 10 liters (27.4 ml/day) in 1 year. Due to the fact that the population of Uzbekistan over 20 years of age (22.5 million people) does not consume within this norm, only ethyl alcohol is included in the budget. Excise tax losses amount to 4.9 trillion soums. According to the recommendation of WHO, the norm is 112.4 million liters - the volume of realized ethyl alcohol is 24.0 million liters = the difference is 88.4 million liters (78.6%).

According to the forecast of IWSR analysts, in 2023 the world alcohol market will show growth and bring more than 21.6 billion dollars of income to the world economy. The main drivers of growth in the coming years are projected in India, Mexico, Brazil, USA and China. In the period from 2022 to 2027, the growth rate is expected to be low - on average close to 1 percent per year.

The size of the illegal alcohol market²

¹ Манба: <https://profibeer.ru/beer/iwsr-do-2027-goda-mirovoj-rynok-piva-budet-rasti-na-1-v-god/>

² (<https://cyberleninka.ru/article/n/analiz-rynka-alkogolnoy-produktsii>).



According to current expert estimates, 26% of the world alcohol market consists of illegal alcohol, which is 40 million. more than a hectaliter, including 13% in the European Union, 30% in Kazakhstan and 27% in Russia

In Uzbekistan, the results of this assessment have not been published in the media. Due to the similarity of the economies of neighboring countries, the average may be around 25-30%. Changes in excise duty rates for alcohol products in 2023

1. From January 1, 2023:

- the rate of excise duty on ethyl alcohol has been increased by 5 times and is 7,450 soums per 1 liter (1,490 soums per 1 liter in 2022);

- it was determined that the excise tax on the production of alcohol products (except soft alcoholic drinks) will be calculated based on the percentage of ethyl alcohol in the product, based on the measurement unit "liter" (previously "dal").

- the rate of excise tax on vodka, cognac and other alcohol products is set at 34,500 soums per liter of ethyl alcohol without added water in the product (13,800 soums per liter of finished product in 2022), as well as 38,000 soums based on 10% indexation from February 1 .

For example, 13,800 soums (34,500 soums * 40%) is considered an excise tax for 1 liter of vodka with 40% ethyl alcohol content (15,200 soums after indexation).

- the rate of 1 soum was kept for naturally fermented wine, and the rate of 1,550 soum was set for other wines.

- excise duty rates on alcohol imports were reduced by 5%.

Analysis of excise tax revenue and influencing factors on alcohol products³.

1. During 2022, 6,291,000 dal (2021 – 6,321,000 dal, decreased by 0.5%) of ethyl alcohol were produced by 5 enterprises producing alcohol, and their turnover was 1.2 trillion soums (2021 y. - 953.3 billion soums, an increase of 29.1 percent less).

In January-June 2023, 2.4 million dal (in the corresponding period of 2022 - 2.6 million dal, decreased by 7%) of ethyl alcohol were produced, and their turnover amounted to 625.1 billion soums (2021 - 953.3 billion soums, an increase of 29.1 percent less).

A total of 2,410 employees worked in 5 enterprises in 2021, 2,067 employees in 2022, and 1,843 employees according to the reports of June 2023 (a decrease of 8% compared to the same period last year). The average monthly salary will be 3.1 million soums in 2021, 4.1 million soums in 2022, and 4.3 million soums in the first half of 2023 (increased by 138.7% compared to the same period last year). In 2022, alcohol producers paid 160.1 billion soums of taxes, of which 89.9 billion soums of excise duty were paid (101.0% increase compared to 2021, excise duty – 112.6%), in January-June 2023 a total of 227.1 billion soums, of which excise tax - 169.0 billion soums (in comparison with the previous corresponding period, the increase was 3.6 times, the increase of excise tax was 5 times).

In particular, 11.9 million dal (2021 - 13 million dal, decreased by 8%) of alcohol products were produced by 50 enterprises producing alcohol products, and their turnover amounted to 4.1 trillion

³ Ўзбекистон Республикаси солиқ қўмитаси маълумотлари. www.soliq.uz.



soums (2021 - 3.5 trillion soums, an increase of 19.5%). In January-June 2023, 3.6 million dal (in the corresponding period of 2022 - 5.1 million dal, decreased by 31%) of alcohol products were produced, and their turnover was 1.9 trillion soums (2021 - 1.6 trillion soums, the increase was 20.1%). A total of 9,929 employees worked in 50 enterprises in 2021, 8,541 employees in 2022, and 6,993 employees according to June 2023 reports (a decrease of 7% compared to the corresponding period of the previous year). The average monthly salary will be 1.6 million soums in 2021, 2.0 million soums in 2022 and 2.3 million soums in the first half of 2023 (15% increase compared to the same period last year)

In 2022, producers of alcohol products paid 1.7 trillion soums in taxes, including excise duty - 1.4 trillion soums (101.9% increase compared to 2021, excise duty - 102.0%), January-June 2023 total of 813.1 billion soums, of which excise tax - 647.1 billion soums (110% increase compared to the previous corresponding period, 115.1% increase in excise tax). Forecast figures of 1,958.6 billion soums from the excise tax on alcohol products in 2023 were confirmed (1.08 times more than in 2022), and 818.6 billion soums (42%) were provided in January-June.

The following main factors have affected the excise tax revenue⁴:

Enterprises producing ethyl alcohol and alcohol products sold 10 percent less (9.4 million dal in 2022, 10.4 million dal in 2021) compared to the same period last year in January-August 2022. In particular, in the corresponding period of 2023, 12 enterprises that sold 44,800 units of alcoholic beverages and paid a total of 9.4 billion soums of excise tax did not operate this year. Of these, the license of 1 enterprise ("Savb" LLC) was revoked, the license of 3 enterprises ("Orzu K" LLC, "Yangigorgon Wine" LLC, "Gallaorol Nur" JSC) was suspended for 6 months (until October 1) and 1 the license of the enterprise ("Dacha" LLC) for the production of vodka and liqueur products was canceled. Also, in the 8th month of 2021, 29 enterprises paid 638.8 billion soums of excise tax, and due to the fact that the volume of sales of 29 enterprises decreased by 27% compared to last year (-1.6 million dal), this year they paid 95.1 billion soums (-15 %) less excise duty paid. Of these, the license of 1 enterprise ("Komsar" LLC) was canceled for all products, the license of 1 enterprise ("Lazzat" LLC) was suspended for 6 months (until October 1), and 1 enterprise ("Sirdaryo Vino" JSC) was suspended for the production of vodka products. license revoked. In January-August 2023, 1.7 million dal of alcohol products were sold in 9 enterprises, the volume of sales increased by 2 times compared to last year, and 222.3 billion soms of excise tax was paid to the budget (2.3 times more).

In January-August of this year, 111.2 million tons of wheat raw materials were purchased by the producers of ethyl alcohol, compared to the corresponding period of the previous year (128.2 million tons) by 16.9 million tons.

(-13.2 percent) decreased. Similarly, 2.6 million dal of ethyl alcohol was purchased as raw material by alcohol product manufacturers this year, while in the corresponding period of the previous year this figure was 3.1 million dal (-511.9 thousand dal or -16.4%) organized. Excise duty on 546,700 dal of ethyl alcohol and 411,600 dal of alcohol products, which can be produced from less purchased raw materials (wheat and ethyl alcohol) compared to last year, was lost.

⁴ Ўзбекистон Республикаси солиқ қўмитаси маълумотлари. www.soliq.uz.



Enterprises producing ethyl alcohol sold 3.5 million dal products in January-August 2022, of which 2.6 million dal (511.9 thousand dal less than last year) went to alcohol producers, and the remaining 934.8 thousand dal (last year 587.5 thousand dal) was sold to 593 other producers. For example, "Andijan Biochemical Plant" JSC sold 271,900 dals less (51 percent) to alcohol producers and 293,900 dals more (2.8 times more) to other producers compared to the same period last year. In 2023, 594,800 dal of ethyl alcohol (64% of the alcohol sold to other enterprises) was purchased by 36 enterprises producing antiseptic and medical alcohol products, and these enterprises sold 70.4 billion dal containing an average of 242,900 dal of alcohol. It was found that antiseptic and medical alcohol products were sold. Over the past 8 months, 19 antiseptic and medical alcohol production enterprises bought 485,100 dal of alcohol, 4 times more than in 2021. The analysis and tax control activities of these enterprises are ongoing.

In addition, if we analyze mobile tax audits conducted during 7 months of 2022 and 2023 in enterprises engaged in the production and sale of alcohol products ⁵.

1. In 2022, a total of 21,943 alcohol products worth 655.9 million soums were taken during the inspections conducted at 446 business entities engaged in the sale of alcohol products (no excise mark, old and counterfeit marks, unmarked). As a result of control measures, 101.8 million soums were calculated and 4,102.0 million soums were collected.

2. In the past period of 2023, during inspections of 402 business entities and citizens engaged in the production and sale of alcohol products, a total of 43,016 pieces of 726.4 million soums (without excise stamp, old and fake excise stamp, without relevant documents and unmarked) alcohol products were taken. As a result of control measures, 71,649.8 million soums were calculated as financial fines, and 7,873.0 million soums were collected.

3. Traveling tax audits were carried out in 9 enterprises producing alcohol products, and as a result, 25,360 pieces of alcohol products worth 491.5 million soums were taken from 7 enterprises for temporary storage. Including:

- 4,082 expired products worth 59.3 million soums, 953 unmarked products worth 5.7 million soums, 488 sold products worth 6.9 million soums from JSC "Samarkand Vино Kombinati named after Khovrenko" (the marking code is in circulation);

- 5,938 pieces of old excise stamps worth 139.0 million soums (unmarked), 345 pieces unmarked worth 2.0 million soums from "Samarkand Jomboy-Sharob" LLC;

- 1,500 pieces worth 22.7 million soums from "Filatoff 1868" LLC are overdue;

- 1,767 units worth 32.9 million soums are not aggregated from "Komsar" LLC;

- 10,141 units worth 219.6 million soums with counterfeit excise stamps (unmarked) from "Afsona Wine" LLC;

- 50 units worth 0.5 million soums without excise stamp from "Zamin Vино" LLC;

- 96 alcohol products without excise mark worth 2.9 million soums were temporarily seized from "Bulung'ur-1" LLC.

⁵ Ўзбекистон Республикаси солиқ қўмитаси маълумотлари. www.soliq.uz.



Also, 3,093.0 million soums of TMZ deficiency and surplus were found in 8 enterprises. Financial fines in the amount of 14,815.7 million soums were applied and 497.4 million soums were recovered. Today, the enterprises have submitted applications to the court regarding cancellation of 13,779.2 million soums applied to "Hovrenko Named Samarkand Vino Kombinati" JSC, "Samarkand Jomboy-Sharob" LLC and "Komsar" LLC based on Article 2271 of the Criminal Code. In 2022, cases revealed during inspections of the activities of enterprises that illegally produced alcohol products (based on the data of DXX). Technician produces ethyl alcohol illegally (without license).

37.1 tons of alcohol worth 285.3 million soums were seized during inspections conducted at 4 enterprises.

"Singlemix Industry" (27.1 tn 185.1 million soums), "Eva Gold Technology" (5.0 tn 75.0 million soums), "Ran Tritex" (5.0 tn 24, 8 million soums) and "Kamron" enterprises (temporarily under repair, 15 liters were taken) collected documents were sent to law enforcement agencies for legal action. Use of Online-NCT at sales points selling alcohol products in January-July 2023. 12.9 million checks were issued by about 6.1 thousand sales points engaged in the sale of alcohol products, and the amount of sales was 2.8 trillion soums. During the day, 10.1 checks were presented by one point of sale, and the average check amount was 216.5 thousand soums.

On average, 28.7 units per day in Tashkent city, Tashkent v. - 9.7, Samarkand v. - 9 checks were made, in Bukhara region - 4.3, Khorezm v. and in the Republic of Karakalpakstan - 4.1 and Surkhondaryya v. - 2.4 checks were issued. Average check amount Surkhondaryya v. - 1,223.6 thousand soums, Bukhara v. - 886.8 thousand soums, Karakalpakstan R. - 854.6 thousand soums.

In conclusion, the excise tax system in Uzbekistan is an important component of the country's fiscal structure and plays a decisive role in obtaining income for important public services. However, the challenges in the current excise tax administration require a strategic and integrated approach to improve control measures and improve overall efficiency. Analysis of excise tax administration in Uzbekistan reveals several important areas for improvement. First, the complexity of current tax rules is a serious barrier to compliance. Simplifying these rules can streamline processes, making it easier for businesses and individuals to understand and comply with their tax obligations. Mandatory defects represent another difficulty. The introduction of advanced monitoring technologies such as data analytics and digital tools can greatly enhance the ability of tax authorities to detect and prevent tax evasion. In addition, the development of international cooperation is important to eliminate cross-border tax evasion and create a stronger regulatory and legal framework. Transparent reporting mechanisms and awareness campaigns will help foster a culture of tax compliance among taxpayers. By promoting transparency and informing the public about the benefits of tax payments, the government builds trust and cooperation between taxpayers and tax authorities.

Conclusions and Suggestions

Based on the analysis of issues related to the improvement of excise tax administration, several conclusions can be drawn:



One of the main problems in excise tax administration is the complexity of procedures for both taxpayers and tax authorities. Simplifying processes and requirements leads to increased compliance and reduced administrative burden. Strengthening monitoring and enforcement mechanisms will help curb tax evasion and illicit trade in excise goods. The use of advanced technology and data analysis allows for improved tax administration and increased revenue collection. Implementation of the monitoring of the movement of vehicles equipped with GPS devices through a special information system by the licensing body in the sale of ethyl alcohol and integration of this system into the information base of the Tax Committee.

Cases of transportation without using the remote online tracking (GPS) system, without EHF, without a consignment note are considered as a violation of the license requirements, and the Commission suspends the validity of the license for 10 days. In the case of cases of loading of goods on vehicles that do not use the remote online tracking (GPS) system in the sale of ethyl alcohol and do not meet the specified requirements, the traffic safety service will place them at the penalty area and notify the licensing authority, the Tax Committee and law enforcement agencies. Implementation of these proposals will lead to improved excise tax administration in Uzbekistan, more efficient revenue collection, reduced tax evasion and increased compliance among taxpayers.

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