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FACTORS INFLUENCING TAX CONTROL IN FOREIGN TRADE

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Abstract

This article examines the factors influencing tax control in the export-import process. It also explores the main factors affecting the upcoming macroeconomic situation, targeted projections of GDP for 2022-2024, and forecasts of key macroeconomic indicators. Furthermore, the article discusses scientific debates on factors affecting tax control in the export-import process and offers suggestions for improvement.

Keywords

export, import, trade operations, economic growth, foreign trade, tax service, banks, customs, macroeconomic indicators, tax, currency, tax control, investment.

Introduction

In Uzbekistan, systematic efforts are being implemented to regulate the economy through taxes, stimulate entrepreneurial activity, and avoid imposing financial penalties on businesses that unknowingly violate tax laws for the first time. The task has been set to "improve forms and mechanisms of tax control, including through the broad implementation of modern information and communication technologies that ensure fuller coverage and accounting of taxable objects and taxpayers, and introducing procedures for taxing operations related to transfer pricing" [1]. Achieving this goal requires further development of export activities, improving procedures for granting financial incentives to businesses to enhance their production of competitive products, and studying factors that influence tax control in foreign trade. Simplifying the factors affecting tax control in international markets is a key issue.

Literature Review

Z. Qurbonov emphasizes the need to improve the methodology of tax audits of export operations due to the economic importance of exports [2]. Toshmurodova's scientific works explore ways to effectively use taxes [3]. Islamkulov's research addresses issues related to stabilizing tax revenues in the state budget [4]. The results of Sh.D. Ergashkhodjaeva's research show that stimulating export activities is linked to the structure and development characteristics of the global market [5]. L. Goncharenko highlights that modern tax administration consists of two main elements: the control of taxpayers' compliance with tax laws and the oversight of tax authorities to ensure the enforcement of laws [6].

Methodology

This article employs methods of scientific analysis and grouping to study the procedures for monitoring tax control in export-import operations.

Analysis and Results

Countries such as China, Russia, Turkey, South Korea, Germany, and Kazakhstan are major trade partners of Uzbekistan. The rise in imports leads to increased currency exchange rates and inflation, affecting customs tax collection, as customs payments, including excise and VAT, are calculated in foreign currency and later converted to the national currency.

Macroeconomic conditions play a significant role in ensuring the efficiency of economic indicators and global economic development. Stable economic growth is supported by the rapid development of manufacturing industries, which enhances

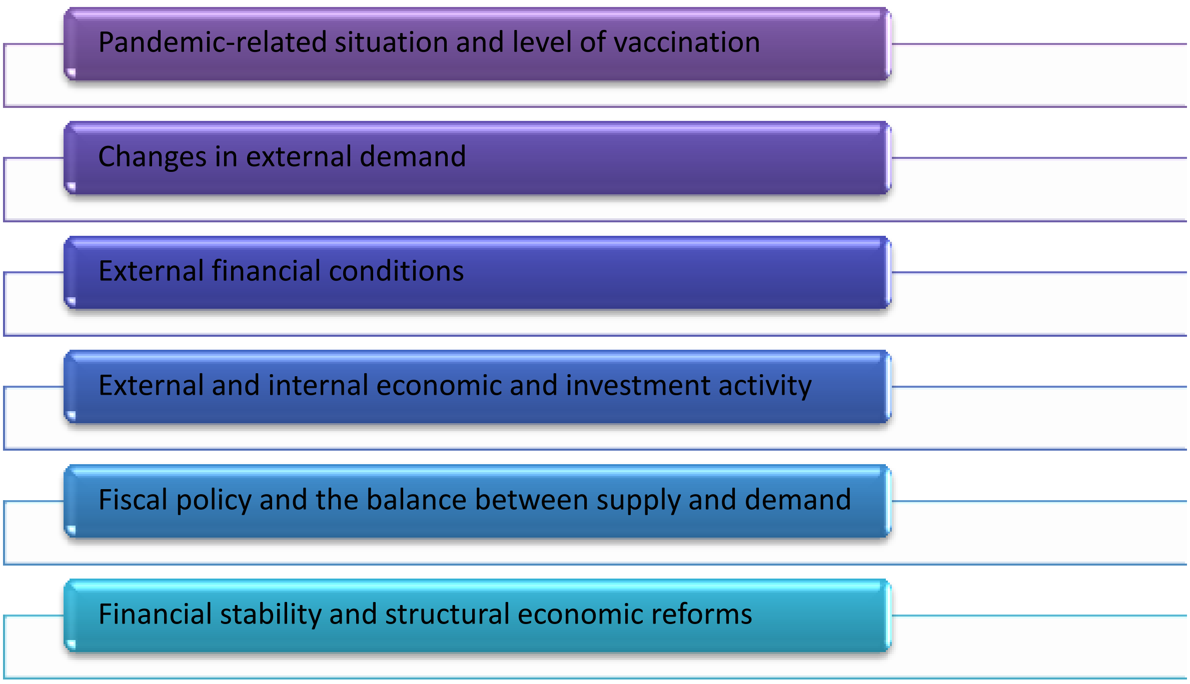

Figure 1. The Main Factors Influencing the Future Macroeconomic Situation [14]

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labor productivity and contributes to the industrialization of other sectors. Fiscal policy plays an important role in achieving the objective of stable economic growth.

Sustainable economic growth is considered to be closely linked with the rapid development of manufacturing sectors within the industry. This, in turn, plays a significant role in the industrialization of other sectors of the economy and the increase in labor productivity. Sustainable economic growth is also recognized as an objective of economic policy, where fiscal policy holds particular importance in achieving this goal.

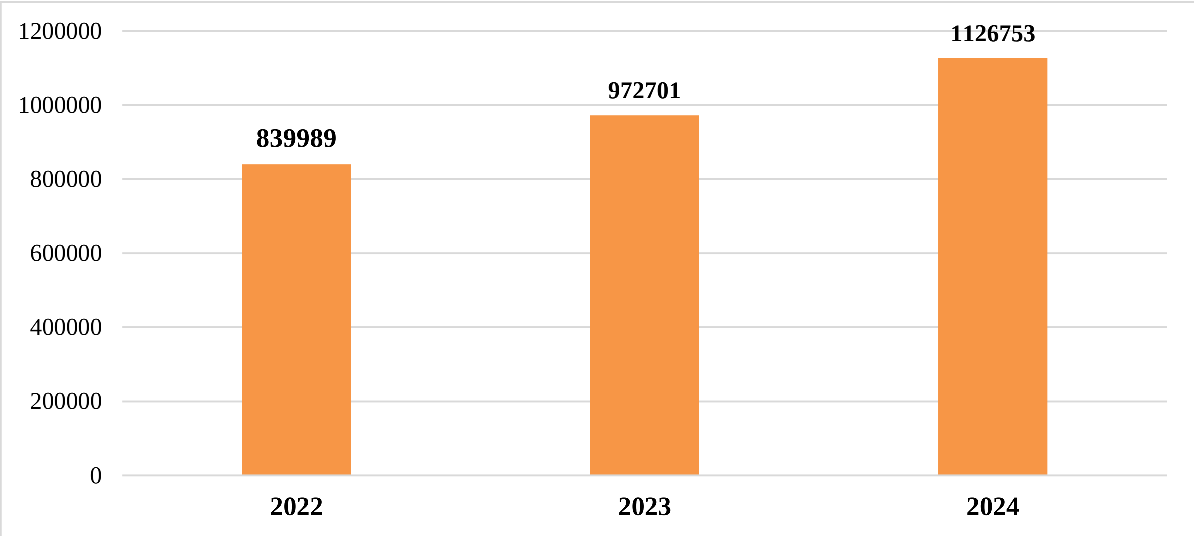

Figure 2. Targeted Projections for Gross Domestic Product (GDP) for 2022-2024 (in billion soums) [14]

According to projections, the GDP of Uzbekistan is expected to increase by 0.13% in 2023 compared to 2022, and by 0.25% in 2024. Other key macroeconomic indicators, including the growth rate of industrial production, agricultural output, and retail turnover, are also projected to rise.

The remaining macroeconomic indicators for the targeted projections for 2022-2024 include the growth rate of Gross Domestic Product (GDP), the Consumer Price Index (CPI), the growth rate of industrial production, the growth rate of production in agriculture, forestry, and fisheries, and the percentage growth rate of retail trade turnover.

All indicators, except for the consumer price index, are planned to be gradually increased until 2024. In turn, the targeted goals for key macroeconomic indicators are considered to be directly related to foreign trade activities. In the context of a digital economy, one of the forms of state management of the overall economy, especially foreign trade, is tax control. The following economic factors are influencing tax control in the country's foreign trade activities:

1. Efforts by entrepreneurs who export their manufactured goods to gain as much benefit as possible from tax incentives, in violation of the law.

2. In the Republic of Uzbekistan, registered entrepreneurs are increasing the prices of their exported goods beyond their actual real value in order to avoid or reduce tax payments. They are then passing these goods through customs and exporting them to foreign countries.

3. Efforts to take advantage of tax exemptions granted to foreign entrepreneurs who invest in the Republic of Uzbekistan by exploiting these incentives.

4. Exporting goods by artificially inflating their prices by entrepreneurs.

Figure 3: Factors Affecting Tax Control in Export-Import Operations [16]

1. Efforts by entrepreneurs who export their manufactured goods to exploit tax incentives, in violation of the law, to gain as much benefit as possible. According to Article 261 of the Tax Code, tax incentives are applied for exported goods, with customs cargo declarations serving as proof of export. In other words, goods exported from Uzbekistan and their proceeds, even if not transferred to Uzbek banks, are still considered as export volumes.

2. Entrepreneurs registered in Uzbekistan are inflating the prices of exported goods beyond their actual value to avoid or reduce tax payments. By overstating the export value in export documents, entrepreneurs can reduce their tax liabilities. Consequently, goods exported at inflated prices are sold at their real, lower prices

in foreign countries, and the corresponding foreign currency is brought into Uzbekistan. Entrepreneurs are using their available foreign currency to cover the unpaid foreign currency payments in Uzbekistan, and may falsify passenger customs declarations to show their foreign currency as if it were brought from abroad to pay into the bank.

3. Efforts to take advantage of tax exemptions granted to foreign entrepreneurs investing in Uzbekistan. Uzbek laws provide tax exemptions for foreign investments. To exploit these exemptions, some entrepreneurs registered in Uzbekistan export goods to foreign countries and bring the proceeds into Uzbekistan as investments on behalf of foreign entrepreneurs, thus benefiting from the tax exemptions intended for foreign investments.

4. Artificially inflating the prices of goods for export, falsifying customs documents, and attempting to avoid bringing the currency obtained from sales back into Uzbekistan can lead to illegal use of tax exemptions, creation of "false exports," incorrect customs statistics, and risks of foreign currency not arriving in Uzbek banks.

In our opinion, to prevent illegal currency operations related to exports, it is advisable to determine export volumes based on the amount of foreign currency transferred from foreign countries to Uzbek banks. This would help accurately form statistical data on export operations and implement measures for future tax exemptions based on the amount of currency receipts. This would reduce the volume of false exports and decrease receivables. Additionally, to prevent payment of foreign currency to bank cashiers based on counterfeit passenger customs declarations and other forged documents, implementing an electronic system for information exchange between customs authorities and commercial banks is recommended. The Central Bank and the Customs Committee should develop a plan for joint measures to prevent illegal currency operations related to exports, including a system for immediate reporting by commercial banks to customs authorities when entrepreneurs attempt to deposit foreign currency based on counterfeit documents.

Tax control in foreign trade is influenced by several economic factors, including attempts by entrepreneurs to unlawfully benefit from tax exemptions provided for exported goods, and efforts to manipulate export prices to reduce tax liabilities. Additionally, the involvement of foreign investors taking advantage of tax exemptions also presents challenges.

Conclusion and Recommendations

Significant reforms are underway to stabilize Uzbekistan's economy. Measures are being taken to create favorable conditions for producing competitive products and exporting them, resulting in tangible benefits. Simplifying tax control in foreign trade is essential for further developing foreign economic activity, attracting investments, and improving customs operations.

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

1. Preventing the unlawful use of tax exemptions granted to exporters.
2. Stopping illegal currency operations related to the export of currency resources from Uzbekistan and their subsequent return under the guise of foreign investments.

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