E-Commerce And Taxation Aspects In Uzbekistan

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Annotation. The article reveals the essence of e-commerce, analyzes the practice of taxation. It has been determined that in modern conditions of economic development the need to create an effective mechanism for taxation of the subjects of the rapidly developing e-commerce market, taking into account the unique features of doing business involved in the sale of goods, works and services by means of information resources, is becoming more acute. It is established that the absence of effective tax regulation leads to negative consequences, primarily related to tax evasion, which directly leads to non-execution of the plan for budget revenues.

Keywords. E-commerce; tax regulation; tax policy; digital economy; taxation efficiency; tax administration; taxation e-commerce.

Today, the world of information and communication technology has become an integral part of our daily life. It should be borne in mind that the development of information and communication technologies directly affects the competitiveness of the country's economy, allows you to collect and summarize large amounts of information and opens up broad opportunities for strategic management.

For business it is important to develop information processes. The active use of modern information and communication technologies is not only an additional source of increasing the efficiency of business entities, but also creates tremendous opportunities for creating equal conditions for fair and equitable competition, increasing entrepreneurial openness.

Accelerated development of financial technologies has created favorable conditions for creating new conditions, procedures and methods in business. In particular, contracts and agreements were created to create electronic commerce using electronic information technology systems. Today, e-commerce plays an
important role in the development of the Internet as an integral part of the global Internet system.


According to the statistics of the statistical online portal Statista, e-commerce is developing steadily, in particular, in 2014, the volume of e-commerce in the world amounted to $1.34 trillion. In 2018, global e-commerce will reach $2.8 trillion. E-commerce revenue will increase by 2.03 points in 2021 compared with 2018 and will be $4.88 trillion.

According to analysts, the current potential of Uzbekistan’s e-commerce market is estimated at $1.2 billion.[2]

At the end of 2018, 663.5 billion soums. This figure is 30% higher than in 2017. The share of e-commerce in the turnover is less than 1%. [3]

In recent years, as a result of the introduction of high-tech modern information and communication tools, commercial banks and other lending organizations have proposed new types of payment systems and forms. The e-commerce opportunity is expanding. The country's population is increasingly using non-cash payments. Of course, it must be used effectively.
The priority of the development of the e-commerce market in Uzbekistan is population growth (33,375,800 people as of April 1, 2019) [4], the rapid growth of access to smartphones, the development of logistics and cheap labor.

At the same time, lack of reliable statistics on the e-commerce market, widespread availability of market participants, lack of staff, insufficient Internet coverage and speed, lack of government procurement on the Internet, conservatism of commercial banks, financing problems and other factors affect the development of e-commerce effect.

Of course, this process plays an important role in modernizing the market, carrying out appropriate tax, customs and banking reforms and increasing the speed of the Internet.

E-commerce has several advantages compared with traditional business activities, in particular, significantly reduce the cost of advertising and services, which reduces the cost of goods, increases the competitiveness of goods (works, services), relatively low time spent on order fulfillment, reducing management costs storage and transportation; the potential for expanding the market of goods (works, services) for the seller and an almost unlimited choice for the buyer in creating additional opportunities for business development.

The advantages of e-commerce are confirmed by the prospect of business activity. However, it should be noted that at the same time, these advantages lead to significant losses in the state budget.

The growing number of financial investigations against digital giants such as Google, Amazon, Apple, Facebook suggests that the ICT sector is most directly involved in aggressive tax planning, which makes it possible for the largest companies in the world to reduce the amount of tax payments to almost zero.[5]

Therefore, it is desirable to determine the features of e-commerce because of the need to apply the principles of automation of taxation in the global Internet environment and the development of appropriate tax platforms.
Not by chance in the Decree of the President of the Republic of Uzbekistan No. 1816 dated July 18, 2017 “On measures for the fundamental improvement of tax administration, increasing the collection of taxes and other obligatory payments” was identified as one of the main areas for further improvement of tax legislation and taxation in Internet commerce and services.

It is advisable to consider the following features of the taxation of subjects of electronic commerce:\[6\] These functions include:

- The absence of territorial boundaries at the location of e-commerce facilities and their customers for conducting operations related to the payment for purchased goods via the Internet;

- for commercial operations on the territory of Uzbekistan it is enough that the organization has a registered site in any country of the world that does not require a physical presence in Uzbekistan;

- The anonymity of the transaction, that is, the main features of operations (amount of payment, purpose of payment, beneficiary) are hidden from third parties, including tax authorities;

- the anonymity of subjects, personal identification data in online trading is unknown not only to third parties, but also to participants in the transaction (the seller, the purpose of the buyer for which the product is purchased, and other characteristics of the other party, in particular, the taxation system and the uncertainty of the tax register).

These possibilities of e-commerce expand tax evasion, so it is necessary to take these aspects into account when developing a model and improving the system of tax control of taxation of e-commerce entities.

The experience gained so far shows that when doing business on the Internet, both at a separate agreement and at a single organizational level, it increases the ability to avoid tax evasion, which ultimately can minimize the tax burden on e-commerce enterprises.
It is worth mentioning that fast-developing e-commerce has a large tax potential, and this requires the implementation of effective financial and tax policies.

In 2012, the University of Tennessee conducted a large-scale study that provided data on budget losses due to the moratorium on e-commerce taxation, the amount was $ 11,392,700,000. aggregates by State-Business (Government-to-Business) and State-Citizens (Government-to-Citizen).[7]

So that the tax system does not prevent the development of e-commerce and avoid slowing down the growth of this sphere, at the very early stage of the formation of e-commerce, they were careful about the taxation system, including the existing general taxation system; also a separate tax administration system.

Accelerated development of e-commerce in recent years to prevent fiscal losses highlighted the need for the European Union and other countries to develop and apply a separate tax approach, taking into account the features of e-commerce.[8]

The problem of taxation of digital goods in the economy is relevant. From a legal point of view, a digital economy should also be subject to customs clearance of goods from one place to another. It should be noted that an effective mechanism for controlling the movement of goods across the customs border has not developed in the world tax practice.

In particular, effective methods for customs clearance of e-commerce goods have not yet been developed. Usually, the refusal to pay customs duties on electronic goods is explained by the fact that this approach was made because of the high cost of customs duties.

If we analyze a wider range of e-commerce functions, the ability to hide the object of taxation, then a number of requirements arise.

It is known that tax registration of legal entities and tax accounting are carried out by tax authorities. However, not all entities regularly receiving income on the Internet carry out their activities in this way, there are those who are not
registered in the prescribed manner and do not fall under the above procedures. In such activities, not only tax authorities are required, but also the competent authority to identify and implement administrative prosecution.

The tax authorities may, within their competence, monitor cash flows and electronic money transfers from the bank accounts of commercial banks that have bank accounts and electronic wallets, and receive credit information from credit organizations. However, if such actions are carried out not as an official entrepreneur, but as the owner of the “wallet”, then it will be impossible to tax electronic cash flow.

In this process, it is also desirable to indicate the obligations of credit institutions in relation to the income of suppliers of electronic goods and services from foreign trade entities.

In addition, in case of payment of Internet goods in cash, for example, when delivering goods to the buyer by mail, the risk of hiding the object of taxation increases, it becomes possible to reduce the tax base for an entrepreneur who does not have access to the cash register.

Taxation of e-commerce includes problems of international and national level. International challenges include: tax jurisdiction, international double taxation, gaps in tax legislation, unfair competition. Problems at the domestic level: identification of taxpayers' taxation, improvement of tax administration, deficiencies in tax legislation and other situations.

One of the causes of the problems of tax administration in the process of taxation of electronic commerce is the lack of agreement and coordination between the tax authorities of different states. With the improvement of tax administration in e-commerce it has become necessary to develop international cooperation in the field of tax services.

Also, it can be noted that one of the topical issues of improving the efficiency of tax control is the absence or inadequacy of the tax culture. Every taxpayer should be aware of the obligation to pay taxes and that the improper
implementation of a taxpayer plan will have negative consequences. One of the main tasks of an effective tax system is to raise public awareness of the tax culture and change the mentality of taxpayers. For taxpayers, priority is also given to increasing their authority in society and widespread distribution among all citizens.

It should be noted that in the context of studying and analyzing existing problems and features of e-commerce and its taxation, taking into account reforms in the tax system of Uzbekistan, a more effective taxation mechanism for e-commerce will be developed, which is rapidly developing and has significant tax potential that will prevent losses budget revenues.

In Uzbekistan, reforms to introduce modern information and communication technologies also contribute to the achievement of certain results in digitizing the economy, including e-commerce.

In particular, the Decree of the President of the Republic of Uzbekistan “On measures to accelerate the development of e-commerce” was an important step in accelerating the development of e-commerce in the country, eliminating a number of problems and omissions that prevent the creation of a full-fledged e-commerce market in the country.

The decree provides for a number of effective mechanisms for creating favorable conditions for the development of electronic commerce, the introduction of modern mechanisms and procedures for selling goods (services) through the Internet, increasing the volume of exports of local enterprises and expanding their geography.

Also created the National Register of e-commerce enterprises. As a result of the creation, a unified electronic bank of e-commerce participants was formed, the possibility of system monitoring, evaluation of the introduction and development of e-commerce, including the effectiveness of the implementation of information systems and resources.

According to the Decree, legal entities and individual entrepreneurs included in the National Register are payers of the single tax payment at a
preferential rate of 2%, which gives them additional benefits for further development.

Taking into account the above, it should be noted that the introduction of effective mechanisms and procedures for taxing the sale of goods (services) through the Internet in Uzbekistan will create a solid foundation for the development of electronic commerce in the country and stimulate the activities of economic entities in this area. And most importantly, the loss of the state treasury will be prevented.

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