



MECHANISMS OF TAXATION OF E-COMMERCE IN THE REPUBLIC OF UZBEKISTAN

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Annotation: *This article describes the state of e-commerce taxation mechanisms and the problems associated with it. Proposals have been developed to improve the existing taxation mechanisms.*

Key words: *e-commerce, gross domestic product, foreign trade turnover, e-services, econometric model*

1. Introduction. Today, a number of reforms are being carried out in our country to dramatically improve the lives of people through the widespread introduction of digital technologies in public and social administration, economic and social spheres. As a result of the reforms, it is planned to bring Uzbekistan to the level of developed countries, to further develop the economy by creating an attractive investment and business environment in our country, as well as to strengthen the democratic rights of citizens.

In his address to the Parliament on January 24, 2020, President of the Republic of Uzbekistan Sh.M.Mirziyoyev said: In order to continue and raise it to a new, modern level, I propose to call 2020 the "Year of Science, Enlightenment and Development of the Digital Economy" in our country. In 2020, not only in the digital economy, but also in other areas of e-commerce will also lead to a series of upgrades.

The procedure for taxation of e-commerce in our country has changed over the years due to the growing importance of e-commerce, and these changes are still ongoing. The fact that a large number of business participants around the world are switching to the sale and purchase of their goods and services via the Internet demonstrates the urgency of developing this industry. Also, one of the advantages of e-commerce is to bring the goods of our country to the world market and meet their needs through popular national and world-famous e-commerce platforms.

2. Literature view. To date, a number of scientists have conducted research on the development of e-commerce, its further growth in the economy, its taxation and incentives through tax mechanisms. In particular, S. K. Ilichev and A.V. Kastelskaya (2004) cited the theoretical basis for the taxation of e-commerce in their research. In this regard, they argued that the taxation of e-commerce, unlike other types of taxation, should be taxed with a separate approach, emphasizing the complexity of determining the taxpayer and the tax base.

According to Hannah W. Minkevitch (2012), the cost of advocacy and monitoring to explain the obligation of consumers to pay taxes is likely to exceed the taxes that come from taxing e-commerce. It is more efficient to apply indirect taxes to e-commerce transactions than to apply direct taxes. The



government has ample opportunity to appoint businesses that sell goods (works, services) as responsible for tax collection, which can also be done through tax incentives.

According to Professor Joshua Gans (2020), any reforms made to rehabilitate and further develop the economy in the context of the COVID-19 pandemic should be an integral part of a single overall plan, and these reforms should support each other.

Sh.A. Toshmatov (2008) in his research noted the need to reform the taxation system for the development of e-commerce in the Republic of Uzbekistan. He also stressed the need to introduce a new tax mechanism and the introduction of tax incentives for the development of e-commerce. According to scientists, from the beginning of 2020, a number of tax exemptions established in the old version will be abolished, and the State budget should be given tax benefits, taking into account the need for tax revenues at all times.

3. Analysis and discussion of results. It is natural that our government uses various tools to encourage the development of e-commerce in the economy of Uzbekistan. We can say without hesitation that one of these tools is to improve the tax regime. Because through taxes, it is possible to prevent the development of various sectors by giving them privileges and advantages, or by increasing the tax burden.

Also, as e-commerce is a new and modern sector, it is important to determine how the current mechanisms of taxation are formed in the development of tax policy and how its future forecasts will be reflected through an in-depth analysis of statistics. In this way, we will be able to develop tax mechanisms that will not hinder the development of e-commerce, but will encourage the further development of this industry.

After the independence of the Republic of Uzbekistan, the measures taken for the development of e-commerce and its taxation can be divided into the following periods. They are:

1. The first period - e-commerce entities - were not considered as the main locomotive of economic development, but as a taxpayer who provides easy-to-earn brokerage services without spending a lot of labor and money. They were not given special privileges, and, like all taxpayers were subject to the general taxation procedure.
2. The second period- began in 2003 in our country, during which the first steps were taken to develop e-commerce. In particular, the Laws "On Informatization", "Electronic Digital Signature", "Electronic Document Management", "On Electronic Payments", "On Electronic Commerce" were adopted, as well as a number of regulatory documents on taxation have been developed. In addition, the Resolution of the Cabinet of Ministers No. 185 of June 2, 2016 "On measures to further improve the procedure for implementing transactions in e-commerce" regulates the relationship between e-commerce entities and the procedure for transactions by e-commerce entities and it is an important document adopted to determine the order of storage of electronic documents and messages used in e-commerce. This document contains the Regulation "On the procedure for wholesale and retail trade" approved by the Cabinet of Ministers on



November 26, 2002 No. 407 and approved by the Cabinet of Ministers on February 13, 2003 No. 75. "Rules of retail trade in the Republic of Uzbekistan", as well as the requirement to obtain a separate document authorizing the sale of goods (works, services) in the form of e-commerce. (Instead of information, taxpayers providing intermediary services are required to pay a single tax without turnover at the rate of 33%)

3. The third period - in order to support micro-firms and small businesses engaged in e-commerce and further expand the export potential of the country, the Decree of the President of the Republic of Uzbekistan dated May 14, 2018 "On measures to accelerate the development of e-commerce" Resolution No. 3724 was adopted. The decision provides for the development of e-commerce, as well as specific changes in its taxation. According to it:

- equivalence of electronic checks, receipts, messages and other methods of payment for goods (services) to receipts, coupons, tickets and other documents generated by information systems in the process of providing services by e-commerce participants in accordance with the legislation, allowing to identify the parties to transactions;
- mandatory advance payment of 15% of the total value of goods (services) sold through e-commerce has been abolished;
- Sale of medicines and medical devices through e-commerce is allowed only in strict compliance with the procedure and requirements for their safety in storage and delivery, and taking into account the requirements of the legislation;
- The National Register includes services for the sale of goods (services) on a voluntary and free basis through e-commerce, which account for at least 80% of total sales of goods (services), including e-commerce platforms, delivery of goods, storage of electronic documents and messages in e-commerce. legal entities and private entrepreneurs. Legal entities and private entrepreneurs included in the National Register are the payers of the single tax at the rate of 2%.

4. The fourth period is the period when enough attention is paid to the creation of full conditions for the development of e-commerce in our country, as well as the understanding that e-commerce is a tool to ensure that our economy in the future will be among the developed countries. . As proof of our opinion, the Decree of the President of the Republic of Uzbekistan No. PF-5614 of January 8, 2019 "On measures to further develop the economy and increase the effectiveness of economic policy", in the new edition of December 30, 2019 as well as the address of the President of the Republic of Uzbekistan to the Parliament on January 24, 2020.

Under the existing taxation mechanisms, e-commerce entities have the right to choose a fixed tax, a simplified tax regime that provides for the payment of turnover tax, or a standard tax. From January 1, 2019, the criterion for determining the order of taxation is defined as income from the sale of products (works, services) of business entities, if the annual income of business entities from the sale of products (works, services) constitute less than one hundred million soums tax payer should pay fixed tax, from



one hundred million soums they obliged to move simplified procedure, in excess of one billion soums and in the case of transactions under import contracts, these businesses will move to the standard procedure for payment of taxes, as well as pay the taxes listed in the table below.

Table 1. Taxation mechanisms

Taxpayer Status		Criteria	Type of taxes
An individual entrepreneur		Up to 100 mln. UZS	Fixed tax
Legal entity		Up to 1 bn. UZS	Single tax, resource taxes
Legal entity		More than 1 bn. UZS	Profit tax, VAT and resource taxes

Source: Author's compilation

Analyzing the annual turnover of e-commerce entities that are members of the National Register using statistics for 2016-2019, we can see that e-commerce activities in the country have developed rapidly since 2016. In 2016, 6,833.79 mln.UZS. In 2017, this figure almost doubled to 11,176.87 mln UZS. We can see that In 2019, the revenues of e-commerce businesses from the sale of goods, works (services) will reach 212,508.09 mln. UZS indicates that the development potential of the industry is growing year by year.

Table 2. Information on the annual turnover of e-commerce entities that are members of the National Register

No.	Years	Annual turnover (in mln.UZS)
1	2016	6 833,79
2	2017	11 176,87
3	2018	123 265,15
4	2019	212 508,09

The e-commerce entities that carry out these transactions include "Lebazar", "Abad", "Alibuy", "Elsavdo" and a number of other well-known business entities in the country. By using data from the table above, the mathematical model, exactly non-linear parabolic regression equation is used to forecast the annual turnover and tax revenues of e-commerce entities for 2020, and the annual turnover in 2020 will be 376,848.59 mln. UZS with a liability level of 97.08%.

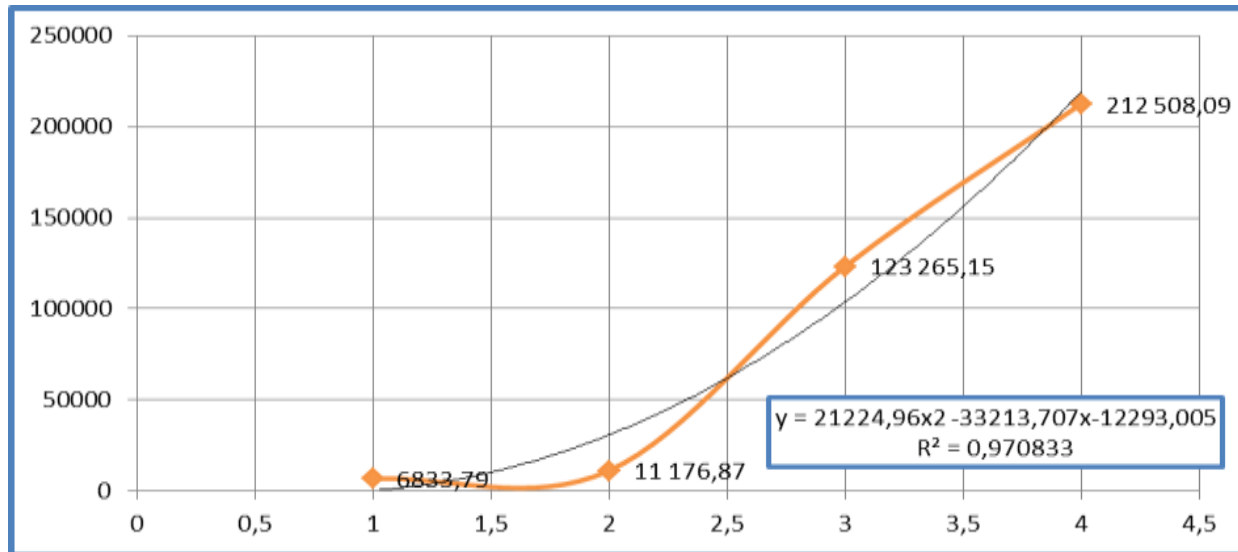


Figure 1. Forecasting by using non-linear parabolic regression equation Despite a number of reforms in the taxation of e-commerce, there are still problems with the taxation of e-commerce. One of them is that there is no mechanism to determine whether sellers who place their goods (works, services) on e-commerce platforms are engaged in legal or illegal activities. This problem is one of the main problems of direct trading in the virtual world and is one of the main problems facing the tax authorities today. Along with the development of e-commerce, the number of entrepreneurs or individuals operating illegally in a similar virtual world is increasing, revealing a new form of the shadow economy in the country and increasing its share. As a solution to this problem, e-commerce users should be able to verify if this salerthe state as a taxpayer selling these goods (services) to whom or to which business entity this plastic card belongs,a special 16-digit number of the seller's plastic card by entering it into the general database, which should be jointly organized by the Tax Committee and the Central Bank before transferring money to the seller's plastic card for payment for their purchases.

4. Conclusion. By informing consumers about the benefits of purchasing goods (services) of state-registered entrepreneurs through e-commerce and the full implementation of their consumer rights, they can only register legally. It is possible to reduce the level of the shadow economy in the country by shifting the purchase of products from existing entrepreneurs. For the development of such an industry with a very high economic potential, it is important to consider the simplification of taxation mechanisms.



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