
Increasing the Efficiency of Excise Taxation as a Factor in Increasing Consumer Demand

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Abstract: A prerequisite for the formation and development of the excise system, the variability of the consumer of excisable goods, the driving force, proposals and recommendations have been developed, aimed at improving the efficiency of excise duty.

Key words: state budget, taxes, income, efficiency, property tax, land tax, profit tax, budget, local budget.

INTRODUCTION

A prerequisite for the evolution of the formation and development of the excise taxation system is always the variability of the consumer of excisable goods, and the driving force, of course, is the selection of excisable goods. Therefore, the issue of regulating the excise taxation system is becoming relevant today due to the constant variability of individual elements of the excise taxation mechanism associated with an increase in the fiscal significance of excise tax. This is more universal and therefore can be applied in different economic conditions. Here, the measures taken are mainly of an administrative nature, but they only solve the current problems of the production of alcoholic beverages, are inconsistent and incomplete, and are also aimed at creating additional economically unjustified restrictions for legal manufacturing enterprises.

Main part

Considering the broadly significant nature, economists [1-5] came to the conclusion that in order to maximize the value of legal enterprises, it is enough for tax authorities to achieve price stabilization and smooth out cyclical fluctuations in the production and sale of excisable goods. An example of such rules aimed at achieving these goals is the well-known rule of Zaynalov J.R. [6]: the more unjustified restrictions, the greater the number of shadow companies and the increase in the tax rate [7]. Within the framework of such measures, one can especially highlight, firstly, the annual increase in excise rates for alcoholic products, and secondly, the establishment of minimum income and prices for certain essential goods (see Table 1).

In the field of long-term tax policy, the priority goal of the state is to increase the efficiency of each type of tax system. In accordance with the Concept for Improving the Tax Policy of the Republic of Uzbekistan for 2020-2030, the Government of the Republic of Uzbekistan did not predict an increase in the tax burden by raising the rates of basic taxes. However, this provision does not apply to the development of excise taxation of enterprises producing alcoholic products, the tax revenues from which traditionally account for a significant part of all tax revenues of the budget.

Table 1 Composition of state budget tax revenues

		2018	2019	2020	2021
INCOME (WITHOUT TRUST FUNDS) - TOTAL		79,099.00	112 165.40	132 938.00	164 680.3
1.	Direct taxes	15,656.20	31,676.80	45,206.90	58,930.4
1.1	income tax	3,502.20	16,360.60	28,712.20	38,363.3
1.2	Personal Income Tax	6422.70	12,668.50	15,140.80	18,917.7
1.3	Sales tax	0	0	1,353.90	1649.4
2.	Indirect taxes	41,280.40	46,427.20	46,428.40	56,290.5
2.1	value added tax	27,876.50	33,809.80	31,177.40	38,439.0
2.2	excise tax	9,702.20	10,314.70	11,697.30	13,086.6
2.3	customs duty	1,826.40	2302.70	3,553.70	4,764.9
3.	Resource payments and property tax	12,663.40	19,680.70	21 257.00	23,036.4
3.1	Property tax	2606.10	2360.20	1974.30	2457.3
3.2	Land tax	1504.20	2,313.20	2,386.70	4,082.8
3.3	Subsoil use tax	8424.70	14,692.80	16,417.10	15,811.9
3.4	Tax for the use of water resources	128.4	314.5	478.8	684.4
4.	Other income	24,364.60	17,028.30	20,045.80	26,423.1

Judgments about tight or loose fiscal policy are usually based on the quality of the fiscal instrument of the excise tax rate. In our opinion, in order to determine the optimal excise tax rate to ensure constant budget revenues, the state should evaluate the fiscal effect of the proposed tax rate both on tax revenues and on the level of legal production and sale of alcoholic beverages.

Over the past five years, the sum rate of excises on alcoholic products in Uzbekistan has increased by more than 2.6 times. Moreover, it is predicted to maintain the growth rate of excise rates on alcoholic products due to the possible threat of creating financially favorable conditions for increasing its illegal turnover.

The experience of developed market countries shows that price regulation (increasing excises) is the least effective, in which, on the one hand, alcohol consumption is reduced, on the other hand, it leads to partial replacement by illegal production, as well as to the acquisition of non-certified products for further sale.

Based on the foregoing, it should be noted that with an increase in excise taxes, producers can resort to using various methods to maintain production. In some cases, they are associated with the transfer of alcohol production to regions where excises are regulated at the local government level, or the release of containers in volumes that are not subject to the establishment of a minimum retail price in order to increase consumer demand. Therefore, it is necessary to develop a new model for the formation of the taxable base and ensure its functioning. But in order for this model to function stably, it is required that the impact of the ongoing excise policy is to reduce the legal production of alcoholic beverages. An increasing number of taxpayers - manufacturers of alcoholic beverages "go" into the shadow sector of this industry, which annually increases its turnover. According to the Chamber of Commerce and Industry of the Samarkand region, the volume of the illegal market of alcohol producers today exceeded 40% of the total market structure, and in the Russian Federation, according to the Union of Alcoholic Products Producers, its volume amounted to 50% [6]. Table 2 shows the dynamics of receipts over the past five years of excise taxes on alcoholic products with a volume fraction of ethyl alcohol over 9%.

Table 2 Dynamics of receipts of excise taxes on alcoholic products with a volume fraction of ethyl alcohol over 9%, produced in the territory of the Republic of Uzbekistan

Index	2017	May 01, 2018	2018	May 01, 2019	2019	May 01, 2020	2020	May 01, 2021
Received excises in the budget system, total, billion soums.	67345	22911	73221	29128	106341	38935	133333	45885
Growth rate, times	X	X	1.09	1.28	1.45	1.34	1.25	1.18

Recall that, according to the State Tax Committee of the Republic of Uzbekistan, tax revenues from excise taxes on strong alcohol have been growing almost continuously since 2017 due to an increase in tax revenues to budget revenues.

In 2017, the main reason for the increase in excises was the increase in two stages of excises by almost 30% and the increase in the minimum price of excisable goods. In this regard, many producers of alcoholic beverages rushed to make stocks of finished products at the end of 2017, before another increase in the minimum price from January 2018 by 36% (up to 1170 UZS).

Despite this, revenues from excise taxes on strong alcohol show a more modest growth compared to the growth rates of excise taxes.

In our opinion, such phenomena not only testify to the ineffectiveness of the measures taken, but also show the existence of tax risks for replenishing budget revenues, associated both with a decrease in the number of alcohol producers, and with a decrease in the level of sales of legal alcoholic products and an increase in the sale of counterfeit alcoholic products. which, ultimately, will have an impact on the reduction of the taxable base and tax revenues to budget revenues at all levels in subsequent forecast periods.

The rise in excise tax and prices resulted in a rapid decline in the production of legal vodka in Uzbekistan: according to the State Statistics Committee, in January-April 2022, the drop was 15.9%, or 5.8 million decaliters.

These circumstances indicate that the current method of regulating the production of alcoholic beverages for the domestic market does not justify itself and needs to be changed.

For the place of legal alcoholic products can be taken by alcoholic products with which excise is not paid, as well as counterfeit and contraband alcoholic products from the countries of the Customs Union (CU), where excise rates are almost 2 times less than in Uzbekistan.

At the same time, the member states of the Customs Union (CU) adhere to international principles for regulating relations between the state and taxpayers. The experience of market-developed countries shows that an effective excise system causes a reduction in prices for both alcohol and vodka and alcoholic beverages.

The decrease in the activity of mutually beneficial trade relations between the CU participants today is predictable and expected.

Thus, despite the general trend towards an increase in excise rates, the gap in excise rates in the CU countries still remains at a high level. So, the ongoing harmonization of excise policy should not worsen the economic situation at enterprises producing alcoholic beverages, regardless of what goal is set for the member countries of the Customs Union.

I would like to note that in the presence of existing tax rates for excises on alcoholic products in the CU countries with which the Republic of Uzbekistan has signed agreements on duty-free trade, conditions are certainly being created for the legal production of alcoholic products on the territory of Uzbekistan. Often such conditions are called uncompetitive.

Therefore, we can conclude that it is necessary to harmonize the excise tax rates of the member countries of the Customs Union. At the same time, a balanced comprehensive approach to

regulating the production of alcoholic beverages within the Customs Union should also be worked out, which should provide for a slowdown in the growth of excise rates on alcoholic beverages and the introduction of a unified system for monitoring and accounting for the production and sale of alcoholic beverages in the domestic market of the Customs Union in order to prevent the growth of illegal production and reduction of counterfeit products, since often legislative initiatives to increase excise rates create attractive conditions for making super profits through the shadow sector for the production of alcoholic beverages.

The experience of the EU in the field of regulation of the alcohol market shows that the implementation of tax changes with long transition periods has a positive impact on alcohol producers, which is associated with tax revenues to the budget, maintaining legal production at a high level, as well as the development of alcohol production in the field of small businesses. Conversely, the unilateral adoption by countries of regulatory requirements that may directly or indirectly affect trade within the Commonwealth countries has the effect of quantitative restrictions on the market. In this regard, in the Commonwealth countries there are no minimum prices for the sale of alcohol on the single market.

Taxes, independent of types, have some degree of benefits. However, the excise tax does not have, in a broad sense, privileges in relation to other types of taxes. But some preferential segments remain in relation to alcoholic goods. But this largely depends on the export of excisable goods. Benefits may include tax reductions, limits on the amount of taxable turnover, prolongation of payment terms, and sometimes complete exemption from tax, especially when exporting such goods.

Taxes in OECD countries are known to be the main source of budgets at all levels of government. Naturally, the share of various taxes in the budgets of different countries differs depending on the structure of taxation and the social goals of tax policy.

The whole experience of the development of the alcohol market in Uzbekistan shows that the illegal production of alcoholic products cannot be reduced by using only administrative methods to regulate its production and turnover. The use of other methods of regulation of the alcohol market is also required. In addition, the actual volume of consumption of alcoholic products will not decrease due to an increase in prices for it, including in connection with the transition of the population to the use of illegally produced products and surrogates.

Harmonization of excise policy within the countries of the Customs Union should be carried out in such a way as not to cause economic harm to industries and ensure equal conditions for competition. For example, in relation to the production of alcoholic products, according to the author, a national excise policy should be pursued, which will tend to converge with the excise policies of other countries of the Customs Union without changing the structure of consumption in favor of strong alcohol.

Conclusion

The issue of eliminating unfair interstate competition and ensuring equal tax obligations of the countries participating in the Customs Union needs to be resolved.

In addition, there is a need to adopt a legal document regulating the excise policy on excisable goods within the countries of the Customs Union, since each country uses its own legislation, i.e. valid only in her country, and to develop a methodology for controlling the movement of excisable goods between participating countries.

Thus, the application of these measures can, on the one hand, ensure the preservation of the necessary amount of tax revenues to the budget, and on the other hand, support entrepreneurial activity associated with legal production.

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