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## The Role of Excise Tax in the Formation of Revenue of the State Budget of Uzbekistan

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**Abstract:** This article reveals the theoretical foundations of excise tax, characterizes the taxation of excise tax in modern Uzbekistan, taking into account current legislation, analyzes the receipt of excise tax into the budget, and identifies trends in changes in the growth rate of excise tax.

**Key words:** excise tax, tax base, growth rate, budget deficit, tax potential, tax collection rate, hidden economy, state budget revenues, tax revenue.

### 1. INTRODUCTION

Excise tax was introduced into the tax system of Uzbekistan in 1992. Over the past period, the procedure for calculating and collecting excise tax has been amended and improved. This tax is important in the social and economic spheres of Uzbekistan. The state uses excise tax as an instrument of socio-economic regulation by determining the range of excisable goods. With the help of excise taxes, increased income received from the sale of certain goods is withdrawn and subsequently redistributed through the budget system, in particular this applies to alcoholic beverages. By imposing excise taxes on luxury goods, it redistributes income from high-income groups to low-income categories of citizens receiving various social benefits.

### 2. LITERATURE REVIEWS

Excise tax is an individual indirect tax. Unlike VAT, it is applied to a certain range of goods, which are therefore called excisable goods. Excise tax is a type of indirect tax that is most widespread in the world practice of indirect taxation [1]. Indirect taxes were studied by the French economist F. Damaison, who in 1666 argued that the excise tax alone can bring as much or even more than all other taxes [2]. Indirect taxes included in the prices of goods and, in particular, excise taxes, widely used in the tax systems of many countries, have a regulatory impact on the consumption of certain groups of goods. Indirect taxes contribute to a partial solution to the problem of social equalization in society. These taxes are essentially taxes on expenses and are paid by those who purchase the goods in question [3]. The excise tax on alcoholic products is paid by the manufacturer, although after the sale of the products the excise tax is reimbursed to him by the consumer, who turns out to be the actual tax payer [4]. Excise taxes can be individual or universal. Individual excise taxes represent the taxation of certain types of goods, raw materials, finished products. They can also be installed by product groups. An example of this excise tax is the excise taxes on alcohol and tobacco in force in almost all countries of the world. Universal excise taxes are, as a rule, levied on the turnover of organizations [5]. Excise tax is an indirect tax included in the price of goods of a certain list and paid by buyers. The bearer of the excise tax is the final consumer of excisable products. Excise taxes are established on highly profitable goods to seize part of the excess profits received by manufacturers of excisable goods to replenish the state budget. The main function of excise taxes is fiscal. Excise duty, along with VAT, is an

indirect tax included in the price of goods sold, which is paid by buyers [6]. After a sharp increase in the excise tax on tobacco in a number of economically developed countries, there were significantly more “non-smokers” than during the long-term propaganda campaign about the dangers of smoking for health. In this case, the introduction of a tax was aimed at solving a social problem, but at the same time the fiscal function of the tax was implemented [7].

### **3. RESEARCH MATERIALS AND METHODOLOGY**

The methodological basis of this study are the economic nature of the excise tax, the importance and place of the excise tax in the budget system of Uzbekistan, Regulatory documents of the excise tax collection in Uzbekistan. In the process of scientific research, methods of observation, comparison, grouping, logical analysis, and methods of induction and deduction were used.

### **4. ANALYSIS AND CONCLUSIONS**

The following persons are recognized as excise tax payers:

- 1) producing goods subject to excise tax (excise goods) on the territory of the Republic of Uzbekistan;
- 2) those engaged in the sale of natural gas to consumers;
- 3) selling gasoline and diesel fuel to end consumers, including through gas stations, as well as gas through gas filling stations;
- 4) a participant in a simple partnership who is entrusted with conducting the affairs of the simple partnership;
- 5) moving excisable goods across the customs border of the Republic of Uzbekistan.

The object of excise taxation is:

- 1) sale of excisable goods, including the transfer of excisable goods in exchange for other goods (services):

transfer of ownership of goods;

transfer of pledged excisable goods by the pledgor in the event of failure to fulfill the obligation secured by the pledge;

gratuitous transfer of excisable goods;

transfer of excisable goods (services) for payment of labor to individuals or for payment of dividends;

- 2) transfer of excisable goods as a contribution to the authorized capital;

- 3) transfer of excisable goods:

a) to a participant upon his withdrawal from the membership, or upon a decrease in the share of participation in a legal entity;

b) to a shareholder upon redemption by a legal entity;

c) to a shareholder or participant upon liquidation of a legal entity;

- 4) transfer of excisable goods for processing on a toll basis;

5) use of excisable goods for own needs;

6) importation of excisable goods into the customs territory of the Republic of Uzbekistan;

7) sales of gasoline, diesel fuel and gas to end consumers;

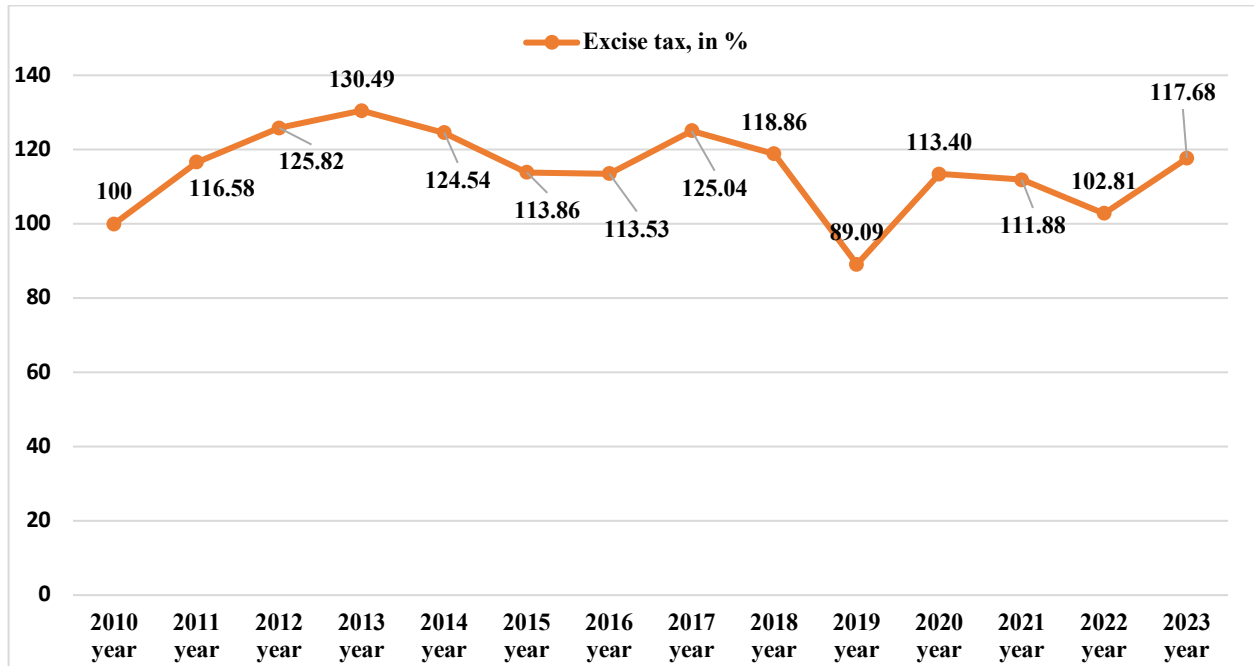
8) provision of excise services;

9) damage, loss of excisable goods produced on the territory of the Republic of Uzbekistan.

For excisable goods (services), in respect of which tax rates are established in absolute amounts (fixed), the tax base is determined based on the volume of excisable goods (services) in physical terms.

For excisable goods (services), for which tax rates are set as a percentage (ad valorem), the tax base is the cost of the excisable goods (services) sold, but not lower than their actual cost.

For excisable goods for which combined tax rates have been established, consisting of fixed and ad valorem tax rates, the tax base is determined based on the volume of excisable goods in physical terms and the cost of sold excisable goods.



**Figure 1. Graph of growth rates of Excise tax revenue actually collected in 2010-2023, calculated by the chain method**

Excise tax revenue also did not have a stable growth rate during 2010-2023. In 2011, the growth rate of this tax revenue was equal to 116.58%, in 2022 this indicator was 102.81%. However, in some periods of the comparative period, a stable growth rate of excise tax revenue was ensured. In particular, in 2011-2013 (from 116.58% to 130.49%), in 2016-2017 (from 113.53% to 125.04%), in 2019-2020 (from 89.09% to 113, up to 40%), In 2022-2023 (from 102.81% to 117.68%), positive changes were observed in the growth rate of excise tax revenue. It should be noted that the rate of growth of excise tax revenue in 2014 (-5.95%), 2015 (-10.68%), 2018 (-6.17%), and 2019 (-29.77%) was decreased compared to the previous year. See Figure 1.

**Table 1. The dynamics of changes in the share of excise tax revenue in the total revenues of the state budget of Uzbekistan and indirect tax revenues<sup>1</sup>**

Indicators	2010 year	2011 year	2012 year	2013 year	2014 year	2015 year	2016 year	2017 year	2018 year	2019 year	2020 year	2021 year	2022 year	2023 year
Total revenues of the state budget, in %	100	100	100	100	100	100	100	100	100	100	100	100	100	100

<sup>1</sup> It was compiled by the author based on the information published on the official website of the Republic of Uzbekistan "Open Budget".

Excise tax, in %	18,59	17,27	17,41	18,45	18,99	18,80	18,98	19,61	14,64	9,20	8,80	7,95	6,67	6,83
Indirect taxes, in %	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Excise tax, in %	36,86	35,83	35,54	36,11	35,76	35,75	36,86	37,27	28,05	22,22	25,19	23,25	18,85	21,48

In 2010-2023, we see that the share of excise tax revenue in the state budget revenue of Uzbekistan has a tendency to decrease. In 2010, the share of excise tax revenue in the state budget of Uzbekistan was 18.59%, and in 2023, this indicator was equal to 6.83%. The largest share of excise tax revenue in the state budget revenue of Uzbekistan was recorded in 2010, 2016 years (36.86 %), the lowest share was recorded in 2022 (6.67%). See Table 1.

We see that the share of excise tax revenue in the budget's indirect tax revenue has a tendency to decrease with a slight fluctuation. In 2010, the share of excise tax in the structure of indirect taxes was 36.86%, and in 2023, this figure was 21.48%. The largest share of excise tax revenue in the budget's indirect tax revenue was recorded in 2017 (19.61%), the lowest share was recorded in 2022 (18.85 %).

## 5. CONCLUSION AND RECOMMENDATIONS

Excise tax plays an important role in generating state budget revenues, ensuring effective management of the budget deficit, and regulating supply and demand in the domestic market.

Although the growth rate of excise duty revenue has been fluctuating, there has been an upward trend in the last five years. The share of excise tax revenue in the state budget and indirect tax revenue is decreasing.

The introduction in 2020 of the new tax code, changes in the number of tax payments, the amount of tax rates, the composition of tax benefits cause to fluctuate in excise tax revenue.

The country's macroeconomic indicators, in particular, the steady growth of GDP over the years, led to an absolute increase in value added tax revenue.

In order to increase the potential of excise tax revenues and the level of tax collection in Uzbekistan, we suggest the following.

1. Development and implementation of effective measures to drastically reduce the scale of the underground economy.
2. Control over the activities of taxpayers with high taxes, strict and effective enforcement of value added tax against taxpayers who violate the norms of taxes.

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