

# OBJECTIVE NECESSITY OF INTRODUCING AN AUDIT OF CUSTOMS DUTIES IN UZBEKISTAN

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**Abstract**— The article reveals the advanced methodology effectively used in the experience of developed East Asian countries in the organization and conduct of customs audit and the possibility of applying their experience in Uzbekistan.

**Index Terms**— foreign trade, export, import, foreign trade turnover, customs clearance procedures, customs control, customs audit, customs value of goods, transaction, customs declaration, customs duties.

## 1 INTRODUCTION

TODAY, important reforms are being carried out to stabilize the country's economy. Necessary conditions and opportunities are being created for the production of competitive products and their export, and this is bearing fruit. Participants of foreign economic activity are working hard to make the most of the opportunities created in their place, to produce products, create new jobs and, most importantly, to gain a foothold in the world market. The effect of the reforms can be seen only in the numerical expression of the work done by the Namangan regional customs department, ie in 2020, the department issued 26,333 customs cargo declarations. The volume of goods cleared for export in the region amounted to 305.9 million tons. USD. The bulk of exports were textiles, yarn, fruits and vegetables, metal and metal products and other industrial products.

## 2 LITERATURE REVIEW

In 2020, goods from Namangan region were exported to 39 countries, the largest share of which falls on Russia, Kyrgyzstan, China, Kazakhstan, Turkey, Ukraine, Poland, Germany, Tajikistan, Italy and Portugal.

Among the imported products, the largest share was technological equipment - 34.2%, wood and wood products - 8.3%, textiles - 7.5% and chemicals - 7%.

Also, in January-December 2020, Namangan region imported goods and services from 57 countries.

In 2020, the Department will spend a total of 1 trillion soums on imported goods at the rates established by law. 337.2 billion Customs duties amounted to 933.6 billion soums. UZS and 403.6 bln. UZS to the state budget. soums were collected.

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Many measures are being taken by the customs authorities to combat the shadow economy, in particular, to identify and eliminate cases of attempts to smuggle goods into the country. In particular, during the 12 months of 2020, the department identified a total of 454 violations, which amounted to 19 billion soums. 67 mln. Soums worth of goods and materials were temporarily seized as the object of the offense.

In short, the main goal of such efforts by the customs authorities is to further develop the economy of the republic and thereby improve the lives of our people. After all, one of the most important tasks facing customs officers is to ensure the economic security of our country, based on rapid and accurate calculations, and the organization of a quality customs service that constantly pays attention to the rights and interests of citizens.

## 3 ANALYSIS AND RESULTS

Reducing existing barriers to foreign trade of countries, The UN study on "Simplification of Trade Procedures and Development of Paperless Trade" is important in determining the main directions for reducing the time and financial costs of paperwork and customs clearance. The study covered 128 countries, Evaluates 53 measures related to the implementation of the World Trade Organization agreement on the reduction of foreign trade procedures in the countries. [16]

**Table-1. Facilitation of foreign trade in developed countries, 2019y**

Countries	The result of efforts to simplify foreign trade procedures (general)	Cross-border paperless trade	Paperless trading	Transparency
Belgium	94%	94%	96%	87%
Japan	94%	78%	96%	100%
China	83%	72%	85%	93%

Switzerland	82%	<b>78%</b>	56%	100%
Russia	82%	<b>39%</b>	81%	100%

According to the report of these measures, cross-border paperless trade accounts for developed countries 94% in Belgium, 78% in Japan and Switzerland, 72% in China and 39% in the Russian Federation. (Table-1)

According to the 2017 results of this research, 12 out of the 43 important precautionary measures have been partially implemented in Uzbekistan, 25.85% result was shown in foreign trade facilitation at the end of 2019, the result rose to 33%. (Table-2)

**Table-2. Foreign Trade Facilitation Status in Central Asian Countries, 2019 y**

Countries	The result of efforts to simplify foreign trade procedures	Cross-border paperless trade	Paperless trading	Transparency
Kazakhstan	67%	<b>33%</b>	63%	80%
Uzbekistan	62%	<b>33%</b>	74%	80%
Tajikistan	53%	<b>17%</b>	37%	80%
Kyrgyzstan	38%	<b>11%</b>	37%	73%

The report states that cross-border paperless trade is 33% in Uzbekistan and Kazakhstan, 17% in Tajikistan and 11% in Kyrgyzstan, The results of Central Asian countries on the development of cross-border paperless trade are unsatisfactory.

Today, many developed countries have separate national committees for the simplification of foreign trade procedures, such a structure does not exist not only in Uzbekistan but also in Central Asia.

In addition, laws and regulations on electronic transactions in the development of cross-border paperless trade, mutually recognized organizations which give certifications, origin of goods, issues such as electronic exchange of sanitary and phytosanitary certificates are not fully regulated in Uzbekistan.

Based on the above, Reducing technical barriers to trade between Uzbekistan and its trading partners and in the establishment of an export promotion institute, which is primarily used in the practice of major exporters today, It is important to achieve the full implementation of the following measures identified in the UN study "Simplification of foreign trade procedures and paperless trade":

firstly, by establishing a national committee for simplification of Foreign Trade Procedures in Uzbekistan, to prove electronic exchange of foreign trade information between the main partner countries of Uzbekistan by this committee;

secondly, the signing of the provisions of the law "On electronic transactions" between Uzbekistan and neighboring countries;

thirdly, the establishment of a mutually recognized certification department between Uzbekistan and neighboring coun-

tries;

fourth, the introduction of electronic exchange of certificates of goods' origin between Uzbekistan and trade partners.

General customs control over goods and means of transport moving across the customs border was abolished in the Republic of Uzbekistan from 2019 and the practice of carrying out customs control on the basis of risk profiles, divided into 4 lanes: red, yellow, blue and green. According to the new order, Application of certain forms of customs control in the process of customs clearance of goods and means of transport with a high level of risk or randomly identified forms of customs control in the "red corridor", goods and vehicles with a medium level of risk or identified in a random selection are directed to the "yellow corridor", determines that only documentary control should be exercised. "If it is stipulated that the forms of customs control in respect of goods identified on the basis of the level of risk in the "blue corridor" will be carried out after their release, Low-risk goods and vehicles are released in the "green corridor" without the use of any forms of customs control. As a result, the time and resources spent by businesses on customs clearance are significantly reduced.

Moreover, at the beginning of the year, the head of state noted that the country's trade turnover was growing from year to year, establishing a system of customs control not at the border, but before the entry of goods or after their free circulation within the country, including when it is not possible to quickly determine the customs value of goods, the entrepreneur was instructed to be introduced a system that would pay for the product immediately and pay the difference after clarification [2].

In view of the above, it should be noted that practical steps are being taken to introduce the term "customs audit" in the Customs Code of the Republic of Uzbekistan and the rules associated with its conduct.

It should be noted that the term customs audit has been widely used in developed foreign practice for many years. As its legal basis is the International Convention for the Harmonization and Simplification of Customs Procedures of 18 May 1973 (new edition of 1999) (Kyoto). Due to the fact that Standard 6.6 of the convention recognizes that "customs control includes control based on audit methods" [2], At present, the customs authorities of most countries are moving to customs audits, which are designed to control the movement of goods across the border, while maintaining targeted and selective inspections at border customs posts.

According to the World Customs Organization, customs control after the release of goods using audit methods(post-clearance audit) - it is a process that allows customs officers to verify the authenticity of declarations by examining the documents of individuals and legal entities directly or indirectly involved in foreign trade, business systems and documents related to all customs and commercial information [3].

In the European Union, post clearance audit using audit methods has been identified as one of the areas for improving the system of customs administration. [4].

In Japan, customs control using audit methods is an important tool in simplifying customs procedures, preventing violations and fraud [5].

In Canada, the customs audit process is called "Post-Release Verification". It is a customs control mechanism and a strategically important inspection determined by the risk management system. This type of inspection covers a wide range of inspections, but the main focus will be on customs tariff classification, customs regime, country of origin of goods and customs value.

In the framework of the World Bank's International Doing Business Rating, our country took place among the top 20 countries in the world that have implemented the most reforms to facilitate doing business over the past year, It was noted that in 2019 the risk management system would be fully implemented in the customs authorities [6].

However, Article 7.5 of the WTO Trade Facilitation Agreement of 2014 [7] states that world trade organization member states must comply with the requirements for the introduction of audit-based customs controls to improve their customs administration.

The technical guidelines of the UN Conference on Trade and Development, published in 2011, suggest accelerating the release of goods for free circulation or reducing control time through the introduction of customs audits.[9]

Moreover, the UN directive also states that customs audits reduce the cost of insurance, warehousing and other costs of goods, and that customs audits are a more effective means of customs control of goods.

After the release of the goods, the dynamic inspection system is submitted to the customs authorities in a mode where various programs can be changed or updated as needed, including risk assessment it allows to use the ability to customize the strategies as part of a review mode.[14]

The World Customs Organization's Recommendations for the Implementation of Post-Clearance Audit [8] states that post-clearance audit offers the following advantages:

- trade procedures will be simplified during customs clearance due to the reduction of border controls;
- helps to assess the level of risk;
- as a result of visits to the buildings, risks and shortcomings in the system of traders can be identified;
- more efficient use of resources of customs administrations;
- detection of fraud by an employee of the customs clearance department of the company protects the company from future risks;
- Allows the assessment of the right to obtain the status of an authorized economic operator.

The selection of the audited entity is usually made by a risk analysis system. Selection should be based on risk assessment and human resources for the audit should also be considered. The risk analysis team submits or proposes a plan to the group responsible for conducting the audit. It is important that the audit results are sent to the risk analysis team again after the audit. This information will help to determine the need for a second and subsequent audit.

According to the analysis of the state of the country's foreign trade indicators for 2019-2020, Time spent on border and customs control in Uzbekistan in the direction of exports, while there was a decrease from 112 hours in 2019 to 32 hours

in 2020, there was almost no change in other indicators.

In the case of imports, the time spent on paperwork decreased from 174 hours in 2019 to 150 hours or 14% in 2020, while costs fell from \$ 292 to \$ 242, or 17%.

The foreign trade rating takes into account the two main indicators of the time of customs clearance of goods and the amount spent on it. Taking into account these factors, reforming the customs administration, further improving the activities and increasing the efficiency of the customs authorities, formation of "digital customs", as well as in order to accelerate the implementation of international norms and standards in the field of customs in national legislation On June 5, 2020, the Decree of the President of the Republic of Uzbekistan No. PF-6005 "On reforming the customs administration and increasing the efficiency of the state customs service of the Republic of Uzbekistan" was signed. In accordance with this decree, the customs authorities were instructed to introduce the institute of customs audit, which provides for customs control after the release of goods.

Explaining the term customs audit, according to G.V. Ignatieva, O.V. Alyokhina: [12] "Customs audit is aimed at ensuring compliance with legislation and international agreements after the completion of customs clearance, includes interrelated, complex measures taken by the customs authorities on the basis of inspections of the activities of economic entities directly and indirectly related to the goods and means of transport moving through the customs border, participants of foreign economic activity".

Badmaeva D.B. describes the stages of customs control in this regard, the measures taken by the customs service to prevent adverse events at each stage, the identified customs violations, as well as the risk management system by the customs authorities of the Russian Federation.

Bragish A. discussed the procedure and features of customs control after the release of goods in the Republic of Moldova. The author also describes the forms of post-clearance control in the Republic of Moldova and the features of their practical use. [11]

## 4 CONCLUSIONS AND RECOMMENDATIONS

In view of the above, and in light of the tasks facing the customs authorities today, we can comment on the "customs audit", it is the process of studying the compliance of foreign economic activity participants with customs legislation during the customs clearance process after the completion of customs clearance on the basis of accounting books, reports, and other documents related to the post-customs movement of goods and vehicles.

Draft Resolution of the Cabinet of Ministers of the Republic of Uzbekistan "On approval of the Regulation on the organization and conduct of customs audit" [15] the discussion of normative legal acts of the Republic of Uzbekistan in September 2020 was the next step in the ongoing reforms in the customs system of Uzbekistan. In the draft resolution submitted for public discussion as the tasks of customs audit:

the legality of placing goods under a certain customs regime;

compliance of the information specified in the customs declaration with the information specified in the supporting documents;

that the goods cleared in the customs cargo declaration are correctly classified in accordance with the FEA CN code of the Republic of Uzbekistan;

the validity of the declared customs value;

that customs duties have been correctly calculated and collected;

correct application of preferences to goods and full payment of customs duties;

whether the benefits of customs duties have been applied correctly and whether the goods with limited use have been used or have been utilised for their intended purpose;

compliance with the restrictions in the prescribed manner on conditionally released goods;

compliance with the conditions of access to the register of authorized economic operators;

to study the legality of operations carried out on goods and vehicles on the way to them;

It is planned to check compliance with the prohibitions and restrictions established by the customs legislation of the Republic of Uzbekistan.

It is obvious that the main tasks of the customs audit are the correct calculation of customs value and payments, the correct application of privileges and preferences.

This, in turn, sets the task to develop a mechanism for the audit of customs duties at the newly introduced Institute of Customs Audit on the basis of international standards and the experience of developed countries.

In conclusion, Reform of customs administration in Uzbekistan, further improving the activities and increasing the efficiency of the customs authorities, the formation of "digital customs" and cross-border paperless trade, as well as the implementation of international norms and standards in the field of customs in national legislation, including the introduction of customs audit, will be key factors in further facilitating foreign trade procedures in the country.

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