

# IMPROVING THE TAXATION PROCEDURE OF FOREIGN TRADE ACTIVITY: PROBLEMS, CUSTOMS CONTROL AND DIGITAL ADMINISTRATION

Almuradov Ne'mat Abdullaevich

Research applicant of Tashkent State University of Economics

## Abstract

The article examines scientific and practical directions for improving the taxation procedure of foreign trade activity on the basis of the third chapter materials of the research work. The study focuses on the main problems and disproportions in the taxation of export-import operations, the growth of problematic foreign trade receivables, the need to improve customs payments and customs control, and the transformation of tax-customs administration through digital technologies. The paper argues that foreign trade taxation should not be interpreted only as a fiscal source of budget revenue. It should be considered as an integrated regulatory mechanism that combines fiscal stability, export incentives, customs transparency, risk-based control and institutional predictability. Particular attention is paid to the repatriation of assets, recognition of hopeless debts, VAT accounting for export operations, electronic contract monitoring and the transition from punitive control to preventive analytical supervision.

**Keywords:** Foreign trade activity; taxation; customs payments; customs control; value added tax; profit tax; export operations; asset repatriation; hopeless debt; E-contract; digital customs; risk management; tax administration; fiscal stability.

## Introduction

### Аннотация

В статье исследуются научно-практические направления совершенствования порядка налогообложения внешнеторговой деятельности на основе материалов третьей главы исследовательской работы. Основное внимание уделено проблемам и диспропорциям налогообложения экспортно-импортных операций, росту проблемной внешнеторговой задолженности, необходимости совершенствования таможенных платежей и таможенного контроля, а также цифровой трансформации налогово-таможенного администрирования. Обосновано, что налогообложение внешней торговли должно рассматриваться не только как фискальный источник доходов бюджета, но и как комплексный регулирующий механизм, обеспечивающий фискальную устойчивость, стимулирование экспорта, прозрачность таможенных процедур, риск-ориентированный контроль и институциональную предсказуемость.



**Ключевые слова:** внешнеторговая деятельность; налогообложение; таможенные платежи; таможенный контроль; налог на добавленную стоимость; налог на прибыль; экспортные операции; репатриация активов; безнадежная задолженность; электронный контракт; цифровая таможня; управление рисками; налоговое администрирование.

### Annotatsiya

Maqolada ilmiy ishning uchinchi bob materiallari asosida mamlakat tashqi savdo faoliyatini soliqqa tortish tartibini takomillashtirishning ilmiy-amaliy yo'nalishlari tadqiq etilgan. Tadqiqotda eksport-import operatsiyalarini soliqqa tortishdagi nomutanosibliklar, tashqi savdo shartnomalari bo'yicha muammoli qarzdorlik, bojxona to'lovlari va nazoratini takomillashtirish, shuningdek soliq-bojxona ma'muriyatchiligini raqamlashtirish masalalari yoritilgan. Muallifning yondashuviga ko'ra, tashqi savdo soliqqa tortish tizimi faqat fiskal tushumlar manbai emas, balki eksportni rag'batlantirish, qonuniylikni ta'minlash, risklarni boshqarish va institutsional barqarorlikni kuchaytirishga xizmat qiluvchi kompleks mexanizm sifatida baholanishi zarur.

**Tayanch so'zlar:** tashqi savdo faoliyati; soliqqa tortish; bojxona to'lovlari; bojxona nazorati; qo'shilgan qiymat solig'i; foyda solig'i; eksport operatsiyalari; aktivlar repatriatsiyasi; umidsiz qarzdorlik; E-kontrakt; raqamli bojxona; risklarni boshqarish; soliq ma'muriyatchiligi.

### Introduction

The modernization of foreign trade taxation is one of the central tasks of fiscal policy in countries that seek to deepen their integration into global markets. Foreign trade operations simultaneously influence budget revenues, export competitiveness, import regulation, currency inflows and the quality of the business environment. Therefore, the taxation of foreign trade cannot be reduced to the mechanical application of tax rates or customs duties. It is a complex system of fiscal, regulatory, customs, currency and institutional relations that requires coherence between tax policy, customs administration, digital monitoring and international standards.

In the conditions of economic openness, the effectiveness of foreign trade taxation depends on the ability of the state to combine three objectives: the protection of budget interests, the reduction of administrative barriers for bona fide exporters and importers, and the strengthening of control over risky operations. If these objectives are not balanced, several negative effects may arise: excessive tax burden for certain categories of businesses, delayed customs clearance, growth of overdue receivables, weak repatriation discipline, unjustified VAT accounting and unequal competitive conditions. This makes the search for scientifically grounded improvement mechanisms particularly relevant.

The purpose of the article is to substantiate directions for improving the taxation procedure of foreign trade activity by analysing the key issues presented in the third chapter of the research work. The article focuses on the elimination of fiscal disproportions, the improvement of customs payments, the development of risk-based control, the digitalization of contract monitoring and the institutional modernization of tax-customs administration.



### **Literature review**

Theoretical approaches to foreign trade taxation are formed at the intersection of international trade theory, public finance, customs regulation and institutional economics. Classical trade theories explain the economic logic of export-import specialization, while fiscal theory defines the role of taxes and customs payments in forming budget revenues and regulating market behaviour. In modern conditions, these approaches are supplemented by the theory of administrative efficiency, according to which the quality of tax and customs procedures directly affects compliance costs, trade facilitation and the competitiveness of enterprises.

International experience shows that the most effective foreign trade taxation systems are based on the principle of neutrality, transparency and risk orientation. VAT mechanisms should not create artificial barriers for exporters, customs duties should protect legitimate public interests without distorting competition, and tax control should be based on data analytics rather than excessive manual inspections. OECD VAT/GST guidelines, WTO trade facilitation principles and the World Customs Organization standards emphasize the importance of electronic documentation, information exchange, post-clearance audit and selective risk-based control.

In the national scientific literature, foreign trade taxation is generally considered in relation to budget revenues, customs-tariff regulation, VAT administration and tax control over export-import operations. However, the complexity of current foreign trade processes requires a more integrated approach. It is necessary to link tax incentives with actual export results, combine customs control with digital risk management, and transform financial sanctions into mechanisms that encourage timely repatriation and legal compliance.

### **Research methodology**

The methodological basis of the study consists of systemic analysis, comparative analysis, logical generalization, institutional assessment and economic interpretation of practical indicators. The systemic approach made it possible to consider foreign trade taxation as a set of interrelated fiscal, regulatory, customs and digital elements. The comparative approach was used to distinguish the functions of VAT, profit tax, customs payments and sanctions in the regulation of export-import operations. The institutional approach allowed the assessment of the role of electronic contract systems, single-window mechanisms, interagency information exchange and risk management tools.

The empirical basis of the article is formed by the materials of the third chapter of the research work, which covers the main problems of foreign trade taxation, disproportions in tax burden distribution, hopeless debt under foreign trade operations, the need to improve customs payments and the role of customs control. The article does not mechanically reproduce the dissertation text; instead, it systematizes the presented materials and formulates them in an academic article format.

The research logic is based on the following sequence: first, the conceptual problems of foreign trade taxation are identified; second, the indicators of problematic debt and tax-customs risks are interpreted; third, the instruments for improving tax and customs administration are grouped; fourth, a policy model is proposed that links fiscal stability, export incentives, digital monitoring and risk-based customs control.



**Analysis and results**

Foreign trade taxation contains several structural problems that reduce the effectiveness of fiscal regulation. One of the most significant problems is the disproportional distribution of tax and customs burden among goods, sectors and categories of business entities. Different customs duties, selective privileges and unequal access to administrative procedures may lead to distortions in competition. While export-oriented firms often receive tax preferences, import operations may be subject to higher customs duties and stricter procedures. Such asymmetry can be justified from the point of view of industrial policy, but it should not create long-term market distortions or encourage artificial transaction schemes.

Another important problem is the risk of double taxation in cross-border transactions. Differences between residence-based and source-based taxation principles may cause the same income to be taxed in two jurisdictions. This increases business costs, weakens investment incentives and slows down the development of foreign economic relations. In this regard, the expansion of double taxation treaties, the harmonization of tax rules and the introduction of clear procedures for tax crediting and exemption are necessary for improving the international competitiveness of foreign trade participants.

The improvement of foreign trade taxation should therefore be based on a balanced model that connects the fiscal role of taxes with the need to stimulate exports, protect the internal market, simplify procedures and strengthen preventive control. The conceptual structure of such a model is presented below.

**Table 1. Conceptual directions for improving foreign trade tax policy and their expected economic outcomes<sup>1</sup>**

Conceptual direction	Economic content	Key instruments	Expected result
Fiscal balance	Formation of stable budget revenues and expansion of the taxable base	VAT, profit tax, excise taxes, customs payments	Growth of revenues, fiscal sustainability, broader tax base
Export incentives	Support for exporters and production with high added value	Zero-rate VAT, targeted benefits, customs facilitation	Export growth, wider export geography, higher added value
Compliance control	Ensuring legality and discipline in foreign trade operations	E-contract, risk assessment, interagency data exchange	Higher repatriation, lower tax risk, fewer violations
Institutional modernization	Stability of rules, digital infrastructure and adaptation to international standards	Single window, Big Data, WTO and OECD principles	Lower costs, shorter clearance time, higher investor confidence

The dynamics of hopeless debt under foreign trade operations illustrates the need for stronger analytical monitoring and more targeted tax-customs control. The concentration of such debt

<sup>1</sup> **Source:** developed by the author based on the systematization of fiscal, regulatory and institutional mechanisms for improving the taxation of foreign trade operations.



in economically active regions indicates that the problem is not only fiscal but also institutional. Where foreign trade activity is dense, the probability of delayed settlements, unreturned currency proceeds, unresolved customs regimes and overdue receivables also increases. Therefore, regional analysis should be used as a practical basis for risk segmentation and selective control.

The available data show a significant increase in both the number of entities and the amount of hopeless debt in major regions. Tashkent city has the highest concentration of risks, which is explained by the dominance of the capital in trade, logistics and corporate registration. Tashkent region, Andijan region and Fergana region also demonstrate stable growth of problematic debt, which indicates the need for targeted control measures, digital monitoring of contracts and improved criteria for debt recognition.

**Table 2. Dynamics of hopeless debt on foreign trade operations in selected regions<sup>2</sup>**

Region	Indicator	2021	2023	2025	Analytical interpretation
Tashkent city	Number of entities, units	754	2,794	3,073	Highest concentration of foreign trade risks
Tashkent city	Debt amount, thousand USD	41,559.1	153,922.5	169,314.7	Largest amount of hopeless debt
Tashkent region	Number of entities, units	167	619	681	High external trade activity
Tashkent region	Debt amount, thousand USD	31,869.5	118,035.0	129,838.5	Significant regional exposure
Andijan region	Number of entities, units	106	393	432	Stable increase in risk indicators
Andijan region	Debt amount, thousand USD	25,522.5	94,527.8	103,980.6	Need for continuous monitoring
Fergana region	Number of entities, units	116	429	472	Need for targeted customs-tax control
Fergana region	Debt amount, thousand USD	18,925.1	70,092.9	77,102.2	Growing problematic receivables
Total for selected regions	Number of entities, units	1,550	5,738	6,312	Expansion of the scale of debt write-off
Total for selected regions	Debt amount, thousand USD	161,492.3	598,119.6	657,931.5	Increasing fiscal and administrative significance

<sup>2</sup> Source: developed by the author based on the analysis and systematization of data on hopeless debt related to foreign trade operations by regions for 2021, 2023 and 2025.

The growth of hopeless debt is closely linked to the quality of monitoring of foreign trade contracts. If contract execution, payment discipline and customs clearance are not reflected in a unified information environment, state bodies are forced to identify risks after the debt has already become problematic. Therefore, the recognition of hopeless debt should not be treated merely as an accounting procedure. It should become part of a broader system of preventive diagnostics that allows the tax and customs authorities to detect high-risk transactions before the formation of uncollectible debt.

In this context, the mechanism for the repatriation of assets is of particular importance. The application of financial sanctions for non-repatriation of assets should be combined with incentives for the actual return of assets. The approach according to which a significant part of the paid fine may be refunded if assets are fully repatriated within a defined period changes the logic of enforcement. It transforms the sanction from a purely punitive instrument into a compensatory and stimulating mechanism. As a result, the state retains control over foreign trade discipline, while business entities receive an economic motivation to restore legal compliance.

The simplification of VAT accounting for export operations also has practical relevance. Exporters should be able to account for VAT paid on actually received goods and services used for export without excessive dependence on the timing of foreign currency receipts. Such a mechanism improves working capital turnover, reduces liquidity pressure and supports the continuity of export production. At the same time, this simplification should be accompanied by risk-based criteria and an automated list of disciplined taxpayers in order to prevent unjustified VAT claims.

A separate direction of improvement concerns the taxation of foreign individuals engaged in business activity in the territory of the country. When foreign individuals sell goods or services in the domestic market, they participate in the creation of taxable turnover. Therefore, considering them as VAT payers ensures competitive neutrality and prevents situations where domestic businesses bear a higher tax burden than foreign participants. This measure is especially relevant in the context of digital trade, cross-border services and platform-based business models.

The taxation of profit obtained from the export of goods and works also requires a balanced approach. The transition from a zero rate to a positive profit tax rate may increase budget revenues and strengthen the fiscal role of foreign trade. However, such a measure should be assessed together with export competitiveness, production costs and the availability of other support instruments. In order to avoid negative effects on exporters, profit taxation should be accompanied by targeted incentives for high value-added production, modernization, localization and entry into new markets.



**Table 3. Key mechanisms for improving the taxation of foreign trade operations and their expected institutional effects<sup>3</sup>**

Improvement mechanism	Problem addressed	Institutional logic	Expected effect
Refund of part of sanctions after full repatriation	Non-return of foreign trade assets	Combination of enforcement and incentive	Faster repatriation and stronger discipline
Recognition of foreign individuals as VAT payers	Unequal taxation of domestic and foreign sellers	Neutrality of VAT obligations	Broader VAT base and fairer competition
Positive tax rate on export profit	Limited fiscal return from export profits	Alignment of export activity with budget interests	Higher profit tax contribution
Simplified VAT accounting for export inputs	Liquidity pressure and delayed VAT recognition	Risk-based simplification for disciplined exporters	Improved working capital and export continuity
Recognition of acts uploaded into E-contract	Delays in confirming works and services	Digital confirmation of contract performance	Faster settlements and clearer monitoring
Recognition of debt under state abandonment customs regime	Unresolved overdue receivables in information systems	Legal clarification of hopeless debt status	Cleaner databases and more accurate risk control

Customs payments perform several functions in the taxation of foreign trade activity. They generate budget revenues, protect the domestic market, regulate import flows and influence the cost structure of foreign trade operations. However, the effectiveness of customs payments depends not only on the level of duties, but also on the accuracy of customs valuation, the transparency of procedures and the quality of control. Difficulties in determining customs value, cases of illegal import, excessive paperwork and insufficient use of digital technologies reduce the regulatory capacity of customs policy.

Customs control should be understood as a system of measures aimed at ensuring the legality of goods movement, correct calculation of customs payments and prevention of smuggling and illegal trade. It includes documentary checks, physical inspection, customs valuation control and post-clearance audit. The development of customs control should move from total inspection to selective risk-based supervision. This transition reduces the burden on bona fide businesses while strengthening the control of high-risk operations.

One of the key tasks is the expansion of electronic declarations and paperless customs clearance. When declarations, invoices, certificates, permits and payment information are processed electronically, the time required for customs clearance decreases and the opportunities for subjective intervention are reduced. This improves transparency and creates a more predictable environment for foreign trade participants.

The coordination between tax and customs authorities is another critical factor. In many cases, obstacles arise because different state bodies use different databases, risk criteria and

<sup>3</sup> **Source:** developed by the author based on the systematization of proposed measures for improving tax and customs administration of foreign trade operations, including asset repatriation, VAT administration, export profit taxation, E-contract monitoring and recognition of hopeless debt in customs regimes.

administrative procedures. As a result, business entities may be required to submit the same information repeatedly, while state bodies may fail to detect inconsistencies in time. Integration of information systems, the strengthening of the single-window principle and automatic exchange of data between tax, customs, banking and statistical institutions can significantly improve the quality of foreign trade administration.

The analysis shows that improvement of foreign trade taxation should be implemented as a multi-component reform. Fiscal measures alone are insufficient, because higher revenues cannot be achieved sustainably if the administrative system remains complex and unpredictable. Similarly, tax incentives alone cannot expand exports if customs procedures are slow, digital monitoring is weak and compliance risks are not differentiated. Therefore, an effective policy should integrate tax rates, customs payments, VAT mechanisms, contract monitoring, repatriation rules and risk analysis into a unified framework.

The main methodological conclusion is that foreign trade taxation must be evaluated through both fiscal and non-fiscal indicators. Fiscal indicators include tax revenues, customs payments, VAT collection and profit tax contribution. Non-fiscal indicators include export growth, clearance time, number of violations, volume of repatriated assets, amount of hopeless debt, administrative costs and trust of business entities. Such a combined evaluation allows the state to assess whether the tax-customs system supports not only revenue collection but also trade facilitation and economic competitiveness.

The proposed approach also requires a shift from reactive control to preventive supervision. Reactive control identifies violations after losses have already occurred, while preventive supervision uses digital data, contract monitoring and risk scoring to detect suspicious patterns at an early stage. This is especially important for export contracts, delayed receivables, VAT claims and customs valuation. In practice, such an approach can reduce unnecessary inspections and concentrate resources on transactions with a high probability of non-compliance.

#### **Scientific and practical recommendations:**

*First*, the taxation procedure for foreign trade participants should be simplified and made more understandable. Clear rules reduce compliance costs, improve voluntary tax discipline and make export-import operations more predictable.

*Second*, tax incentives for exporters should be more targeted. Preferences should be linked to measurable outcomes such as export growth, high added value, diversification of markets, technological modernization and timely repatriation of assets.

*Third*, digital technologies should be widely used in accounting and monitoring of foreign trade operations. The E-contract system, electronic declarations, electronic acts of performed works and interagency information exchange should be transformed into a single analytical environment.

*Fourth*, tax control should be improved on the basis of international standards and information exchange tools in order to reduce tax avoidance in cross-border operations.

*Fifth*, a stable tax policy for foreign trade participants should be ensured. Frequent changes in tax and customs rules create uncertainty and weaken investment attractiveness. Therefore,



reforms should be implemented through predictable transition periods, methodological explanations and digital support tools for taxpayers.

*Sixth*, customs control should be modernized through risk management, post-clearance audit, customs valuation databases and the broader use of Big Data technologies.

Finally, the recognition of hopeless debt, the refund of sanctions after asset repatriation and the accounting of VAT for export inputs should be connected to the risk profile of taxpayers. Disciplined businesses should receive faster administrative services, while high-risk entities should be subject to closer analytical control. This creates a differentiated and result-oriented model of tax-customs administration.

The improvement of foreign trade taxation is a strategic condition for strengthening fiscal stability, expanding export potential and ensuring transparent external economic relations. The main problems identified in the research materials include disproportional tax burden, inefficient distribution of preferences, double taxation risks, delays in customs clearance, insufficient coordination between tax and customs authorities and the growth of problematic foreign trade debt. These problems require a comprehensive institutional approach rather than isolated amendments to separate taxes.

An effective foreign trade taxation system should combine fiscal balance, export incentives, compliance control and institutional modernization. Digital customs, E-contract monitoring, risk-based supervision, post-clearance audit and interagency data exchange can reduce administrative costs for bona fide enterprises and concentrate control resources on high-risk operations. In this way, taxation becomes not only a fiscal instrument, but also a mechanism for competitiveness, investor confidence and sustainable integration into international markets.

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