



**IMPROVING THE TAXATION PROCEDURE FOR FOREIGN
TRADE ACTIVITIES: PROBLEMS, CUSTOMS CONTROL AND
INSTITUTIONAL SOLUTIONS**

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| A B S T R A C T | K E Y W O R D S |
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| <p>The article examines practical directions for improving the taxation procedure for foreign trade activities based on an analysis of the problems of the tax burden, bad and overdue debts arising from foreign trade operations, double taxation, as well as the mechanisms of customs control and digital administration. It is substantiated that the effectiveness of tax and customs regulation depends not only on rates and benefits, but also on the quality of contract monitoring, the transparency of customs valuation, the use of electronic declarations, risk-oriented control and post-clearance audit. Special attention is paid to the stimulating and compensatory mechanism of asset repatriation, the recognition of certain types of debt as bad debts, the simplification of VAT offset for exported goods and the expansion of digital data exchange among tax, customs and banking institutions. The conclusion is made that it is necessary to move from fragmented control to an integrated model of foreign trade administration that combines fiscal effectiveness, support for bona fide business and a reduction in administrative costs.</p> | <p>Foreign trade activity; taxation; customs payments; tax burden; asset repatriation; bad debt; overdue receivables; VAT; tax control; electronic declaration; risk management; post-clearance audit; digital administration.</p> |

Introduction

Modern foreign trade activity is developing in conditions of increasing global competition, more complex cross-border settlements and growing requirements for the transparency of tax and customs administration. For countries with open and reforming economies, the procedure for taxing foreign trade performs a dual function: on the one hand, it ensures revenues to the state budget; on the other hand, it creates institutional conditions for exports, imports, technological renewal and the expansion of business activity. Therefore, improving the tax regime for foreign trade operations cannot be regarded only as a task of increasing fiscal revenues; it must be aimed at increasing predictability, reducing the costs of bona fide market participants and minimizing the risks of tax evasion.

Practice shows that excessive procedural complexity, uneven distribution of the tax burden among entities and commodity groups, differences in approaches to determining customs value, delays in asset repatriation and insufficient integration of information systems can reduce the effectiveness of foreign trade policy. Under these conditions, measures aimed at digitalizing the monitoring of foreign trade

contracts, developing electronic declaration, expanding risk-oriented control and improving the procedure for recognizing debts under foreign trade operations acquire particular relevance.

The purpose of the article is to provide a scientific justification for directions for improving the taxation procedure for foreign trade activities on the basis of materials reflecting problems and practical solutions related to eliminating tax imbalances, modernizing customs control and increasing administrative efficiency. To achieve this purpose, the article examines the main problems of the tax burden, the mechanism of double taxation, indicators of bad and overdue debt, and institutional solutions for simplifying control and increasing the transparency of foreign trade operations.

Literature review

Scientific approaches to regulating foreign trade traditionally rely on the ideas of classical and neoclassical economic theory, within which foreign trade is considered as a mechanism of specialization, resource reallocation and improvement of public welfare. At the same time, tax regulation of foreign trade operations has independent significance, since through taxes, customs payments, benefits and control procedures the state influences the structure of trade, the competitive environment and budgetary sustainability.

Modern literature emphasizes that an excessive fiscal burden on cross-border operations may reduce business activity and encourage informal schemes, whereas excessive benefits without transparent criteria may create unequal competitive conditions. Consequently, optimization of the foreign trade tax regime should be based on a balance between the fiscal function of taxes and their regulatory purpose. Such a balance is especially important when applying VAT, customs duties, excise taxes, profit tax and financial sanctions for violations of asset repatriation deadlines.

A separate area of research is related to the digitalization of tax and customs administration. International practice shows that electronic declaration, advance information, data exchange among agencies, automated risk assessment and post-clearance audit make it possible to accelerate the movement of goods and at the same time improve the quality of control. At the same time, digitalization must be accompanied not only by the introduction of software solutions, but also by a revision of regulations, risk criteria and the responsibility of participants in foreign trade operations.

Within the analyzed issues, the question of double taxation is also of particular importance. The inconsistency of residence and source-of-income principles, differences in income classification and an insufficient number of international tax agreements may lead to an additional tax burden and restrain investment and trade activity. Therefore, eliminating double taxation, developing tax credit procedures and harmonizing tax rules with international standards are key conditions for improving the effectiveness of foreign economic relations.

Research methodology

The methodological basis of the article consists of systemic, comparative, institutional and analytical approaches. The systemic approach made it possible to consider the procedure for taxing foreign trade activities as a set of interrelated elements: tax rates, customs payments, control procedures, digital platforms, financial sanctions and debt recognition mechanisms. The comparative approach was applied in comparing the consequences of different regulatory regimes for export and import operations, as well as in assessing differences between fiscal and stimulating measures.

The institutional approach was used to assess the role of tax, customs, banking and judicial mechanisms in ensuring the discipline of foreign trade settlements. The analytical approach was applied in interpreting data on bad debt by region, overdue receivables and payables, the dynamics of customs declarations and the use of digital customs procedures. Particular attention was paid to cause-and-effect relationships among the quality of administration, the level of tax discipline, budget revenues and the competitiveness of foreign trade entities.

Analysis and discussion of results

One of the most significant problems in the taxation of foreign trade activities is the unevenness of the tax burden. It manifests itself in differences between import and export operations, the unequal application of benefits by commodity groups, disproportions among entities from different sectors and difficulties in determining customs value. In the absence of transparent criteria, such a situation disrupts equal competitive conditions and reduces the effectiveness of tax regulation.

The tax burden in foreign trade must correspond to the economic substance of the operation. Export operations, as a rule, require stimulation because they generate foreign exchange inflows and expand the market for national products. Imports, by contrast, are often regulated through duties and indirect taxes to protect the domestic market. However, an excessive gap between export and import regimes can create distortions: import-dependent producers face an increase in production costs, while certain exporters may receive advantages that are not related to the real efficiency of production.

An important element of the analysis is the indicators of bad debt under foreign trade operations. They reflect not only the financial condition of business entities, but also the quality of contract monitoring, the level of payment discipline, the effectiveness of interagency information exchange and the ability of the state to respond in a timely manner to the risks of non-return of assets. According to the research materials, the highest concentration of bad debt is observed in regions with high foreign trade activity, primarily in the city of Tashkent, Tashkent, Andijan, Fergana, Bukhara and Namangan regions.

Overdue receivables and payables under foreign trade operations serve as an indicator of the quality of settlements and the discipline of foreign trade participants. If bad debt reflects an already formed problem, then overdue debt makes it possible to assess potential fiscal and currency risk. Growth in total debt in certain years indicates the need to strengthen contract monitoring, improve procedures for confirming the performance of works and services, and increase the responsibility of parties for violating settlement deadlines.

Table 1. Overdue debt under foreign trade operations¹

| Date | Total debt, number | Total debt, amount | Export | Import | Analytical assessment |
|------------|--------------------|--------------------|-------------|-------------|--|
| 01.01.2022 | 11,953 | 4,326,164.8 | 1,274,039.3 | 3,052,125.5 | Prevalence of import debt |
| 01.01.2023 | 12,068 | 4,765,498.5 | 1,271,164.8 | 3,494,333.7 | Growth in the total amount of debt |
| 01.01.2024 | 15,296 | 6,392,261.6 | 1,467,737.0 | 4,924,524.6 | Peak level of debt burden |
| 01.01.2025 | 12,340 | 6,097,563.3 | 1,188,819.1 | 4,908,744.2 | Decrease in the number of entities while the amount remains high |
| 01.01.2026 | 12,755 | 4,294,503.8 | 1,503,262.6 | 2,791,241.2 | Decrease in the import component |

¹ Source: compiled by the author based on research materials; amounts are given in thousand U.S. dollars.

A positive trend is the decrease in the total amount of overdue debt by 01.01.2026 to USD 4,294.5 million compared with USD 6,392.3 million as of 01.01.2024. At the same time, a high share of import debt remains, which requires special attention to contracts related to advance payments, long-cycle supplies of goods and the use of intermediary schemes. From the perspective of tax and customs administration, this means the need to coordinate data from banks, customs authorities, tax authorities and foreign trade contract information systems.

An important direction for improvement is the elimination of the problem of double taxation. A foreign trade operation may involve the jurisdiction of the country of source of income and the country of residence of the participant in the transaction. If there are no credit or exemption mechanisms between the relevant states, the same income may be taxed twice. This increases the cost of foreign economic activity, reduces the attractiveness of export contracts and worsens the investment climate.

Reducing the risks of double taxation requires expanding the network of international agreements, harmonizing the rules for determining income, developing tax credit procedures and improving the quality of advisory support for business. In addition, it is necessary to ensure uniform application of the rules of residence and source of income, since ambiguous classification of operations often becomes the cause of disputes between tax authorities and foreign trade entities.

Improving the procedure for taxing foreign trade should be based on the integration of fiscal, stimulating and control instruments. In this context, the asset repatriation mechanism is of great importance. The previous logic of financial sanctions was predominantly punitive: violation of the deadlines for the return of assets led to the application of fines, but did not always stimulate the actual return of funds. A more effective approach is a stimulating and compensatory approach under which the entity is interested in promptly eliminating the violation.

The proposed procedure for refunding 75 percent of the paid fine in the case of full asset repatriation within 120 days after the sanction is applied creates a new balance between responsibility and economic incentive. For the state, such a model means acceleration of asset return and strengthening of foreign trade discipline; for business, it means the opportunity to reduce the financial consequences of a violation provided that it is fully remedied. Consequently, the sanction is transformed from an exclusively fiscal instrument into a mechanism for restoring the lawful state of a foreign trade operation.

No less significant is the recognition of debt arising from the transfer of goods to the customs regime “abandonment in favor of the state” as bad debt in the unified electronic information system of foreign trade operations. Such an approach makes it possible to clear information databases of debt that cannot be economically recovered in its former form and, at the same time, to increase the reliability of data for control, analytics and managerial decision-making.

Table 2. Institutional solutions for improving the taxation procedure for foreign trade activities²

| Direction | Content of the mechanism | Expected effect | Fiscal significance |
|-----------------------------------|--|--|--|
| Asset repatriation | Refund of 75% of the fine upon full repatriation within 120 days | Acceleration of asset return and improvement of discipline | Reduction of bad debt risks |
| VAT on exported goods | VAT offset regardless of receipt of foreign currency revenue in the bank account | Reduction of exporters' cash gaps | Increase in the transparency of VAT offset |
| E-kontrakt | Recognition of works and services as completed when the act is uploaded into the electronic system | Acceleration of settlements and reduction of document flow | Improvement of contract monitoring |
| Abandonment in favor of the state | Recognition of the corresponding debt as bad debt | Clearing information systems of unrecoverable amounts | Improvement of accounting quality |
| Foreign individuals | Inclusion of persons selling goods and services in Uzbekistan among VAT payers | Expansion of the tax base | Elimination of unequal conditions |

Customs payments are the most important part of the tax and fiscal mechanism of foreign trade. They ensure budget revenues, regulate import flows, protect the domestic market and create conditions for controlling the cross-border movement of goods. However, the effectiveness of customs payments depends on the correctness of customs valuation, the completeness of declaration, the prevention of smuggling and the minimization of administrative barriers.

The payments levied by customs authorities include import and export customs duties, additional duties, excise taxes on imported and exported goods, VAT, customs clearance fees and other payments provided for by legislation. The existence of a broad list of payments requires a high degree of transparency, since the complexity of classification and calculation may increase the risk of errors, disputes and corruption manifestations.

Foreign trade control should develop not by increasing the number of inspections, but through improving the quality of risk analysis. A risk-oriented system allows control resources to be concentrated on operations with a high probability of violation, while at the same time reducing the burden on bona fide participants in foreign trade. Such an approach corresponds to the modern logic of customs administration, in which the speed of procedures and the reliability of control must be mutually complementary rather than opposing tasks.

² Source: compiled by the author on the basis of a generalization of the study's regulatory and practical proposals.

Table 3. Main directions for modernizing customs control³

| Direction | Economic content | Practical task | Result for foreign trade |
|-------------------------|---|--|---|
| Electronic declaration | Automation of the submission and processing of declarations | Reduction of clearance time | Acceleration of export-import procedures |
| Risk management | Selection of operations according to the probability of violation | Focusing control on high-risk transactions | Reduction of the burden on bona fide business |
| Post-clearance audit | Verification after the release of goods | Detection of violations without delaying the flow of goods | Balance between speed and control |
| Interagency exchange | Integration of tax, customs and banking data | A unified picture of contract performance | Increase in settlement transparency |
| International standards | Harmonization of procedures with best practice | Reduction of barriers and disputed situations | Growth of trust among market participants |

The dynamics of customs declarations confirm the growing load on information and control systems. According to the study, the number of declarations under the export regime increased from 232,624 in 2021 to 353,711 in 2025. At the same time, 124,266 declarations were submitted in 2024 under the “export in three steps” practice, and already 159,170 in 2025. This shows that simplified and digital procedures are becoming increasingly demanded and should be regarded as the basis for further development of customs administration.

The introduction of electronic procedures produces several effects. First, the time lag between the submission of documents and the release of goods is reduced. Second, the share of paper document flow decreases, which reduces the administrative costs of business. Third, transparency increases, since the digital trace of an operation makes it possible to conduct subsequent analysis, data comparison and automated risk assessment. Fourth, conditions are created for the development of post-clearance audit, when bona fide participants receive faster access to procedures, while control is concentrated on suspicious operations.

On the basis of the analysis, an integrated model for improving the taxation procedure for foreign trade activities can be proposed. Its core consists of three interrelated blocks: tax, customs and digital-institutional. The tax block includes optimization of rates, transparent application of benefits, elimination of double taxation, proper VAT offset and a balance between the stimulating and fiscal functions of taxation. The customs block covers the classification of goods, determination of customs value, collection of payments, risk-oriented control and post-clearance audit. The digital-institutional block includes electronic contracts, declarations, interagency data exchange, automated risk criteria and advisory support for business.

The implementation of such a model makes it possible to move from reactive control, when a violation is detected after debt has accumulated, to preventive administration. A preventive model assumes that the risk of overdue payment, incorrect customs valuation, non-payment of taxes or double taxation is identified in advance. For this purpose, it is necessary to integrate data on the contract, foreign currency receipts, customs declaration, tax obligations and the results of the entity’s previous behavior.

³ Source: compiled by the author.

An important principle of the model is the differentiation of foreign trade participants by risk level. Bona fide entities should receive accelerated procedures, simplified VAT offset and a minimum administrative burden. High-risk entities should fall within the zone of enhanced monitoring, post-clearance audit and analytical control. Such an approach ensures a fairer distribution of control resources and improves the quality of tax and customs administration.

Thus, the practical significance of improving the third block of the study lies in the transition to a more mature model of foreign trade regulation. This model combines stimulation, control, digital monitoring and legal certainty. It is oriented not only toward the collection of payments after a violation is detected, but also toward preventing risks, supporting bona fide behavior and reducing the costs of foreign trade operations.

The coordination of tax and customs policy must take place at the level of strategic goals. If tax policy is aimed at expanding the base and increasing discipline, while customs policy is aimed at accelerating commodity flows, there should be no institutional conflict between them. On the contrary, both systems should support each other: customs data should help tax analytics, and the tax risk profile should be taken into account in customs control.

From a practical perspective, it is advisable to introduce performance indicators for tax and customs administration. Such indicators may include the average customs clearance time, the share of electronic declarations, the amount of prevented debt, the share of operations completed without additional requests, the number of disputes over customs value, the volume of asset return after the application of stimulating mechanisms and the level of payment collection. The use of such indicators will make it possible to assess not only the fiscal result but also the quality of service for business.

Fiscal sustainability should not be achieved solely by raising rates. A more sustainable effect is formed by expanding the tax base, increasing voluntary compliance and reducing shadow schemes. In this regard, measures for the automated identification of inconsistencies among foreign trade value, market prices and tax reporting are important. The higher the quality of data and analytics, the lower the need for mass inspections and the higher the probability of timely tax receipts.

International coordination of tax rules also remains an important condition. Foreign trade increasingly includes digital services, intermediary platforms, mixed contracts and operations with non-residents. If national rules are not adapted to these forms, there is a risk that certain participants will fall outside the tax base. The inclusion of foreign individuals carrying out entrepreneurial activity in the territory of the country among VAT payers is aimed precisely at eliminating such asymmetry and equalizing competitive conditions.

Digital administration of foreign trade should include not only electronic declaration, but also end-to-end identification of the transaction. The same contract must be linked to bank payments, the customs declaration, tax reporting, certificates of completed work, certificates and permitting documents. Under this approach, control authorities obtain a complete view of the operation, while business is freed from repeatedly submitting the same data to different agencies.

The problem of overdue debt requires not only control measures but also economic solutions. In some cases, settlement delays are related to objective external factors: changes in logistics routes, sanctions restrictions, banking delays, disputes with a foreign counterparty or force majeure circumstances. Consequently, the administration system must distinguish bad-faith evasion of repatriation from the objective impossibility of timely performance of an obligation. Such differentiation will increase the fairness of sanctions.

To reduce bad debt, it is necessary to develop an early warning system. If the deadline for asset repatriation under a contract is approaching and there are no supporting documents or foreign currency receipts, the information system should automatically generate a notification for the entity and the control authority. Such an instrument will make it possible to prevent violations before sanctions are applied. As a result, the likelihood of debt accumulation decreases, court disputes are reduced and the overall level of foreign trade discipline increases.

Monitoring contracts by stages of their performance has preventive significance. At the first stage, the reliability of the contract terms is assessed; at the second stage, the actual movement of goods or provision of services; at the third stage, the receipt of foreign currency revenue or the performance of a counter-obligation; and at the fourth stage, the tax reflection of the operation. This sequence makes it possible to build control not as a one-time inspection, but as a continuous process of supporting a foreign trade operation, which is especially important for large, long-term and multi-stage contracts.

Improvement of control must be accompanied by preservation of the principle of proportionality. Tax and customs measures should not create an excessive administrative barrier for bona fide business. Therefore, it is advisable to develop the mechanism of a trusted participant in foreign economic activity, under which companies with a positive tax history, no significant violations and transparent settlements receive accelerated procedures. This will make it possible to redirect control resources to operations with increased risk and at the same time encourage enterprises to comply with the rules.

An important reserve for increasing efficiency is the development of the institution of preliminary consultation. For participants in foreign trade, the complexity of tax and customs rules often becomes the cause of unintentional errors. If an entity receives an official explanation in advance regarding the classification of goods, the application of a rate, VAT offset or confirmation of an export operation, this reduces the likelihood of disputes and increases voluntary compliance with legislation. Such an approach is especially important for small and medium-sized enterprises that do not have developed legal and tax infrastructure.

Improving approaches to customs valuation is of particular importance. Foreign trade participants may use various pricing models, discounts, intermediary contracts, related-party supplies and service components of a transaction. If such elements are not taken into account systematically, the risk of undervaluation during imports or unjustified changes to the tax base increases. Therefore, customs value should be verified not only on the basis of formal documents, but also through comparison with market ranges, historical data on similar goods and the behavior profile of a particular participant.

To eliminate imbalances in the tax burden, it is necessary to form a unified analytical circuit in which data on the foreign trade contract, customs value, tax base, foreign currency receipts and the status of obligation performance are considered in interrelation. In current practice, separate pieces of information are often located in different information systems, which complicates the prompt assessment of risks. Data integration will make it possible to identify not only the fact of a violation, but also its economic preconditions: overstatement or understatement of price, inconsistency between supply volumes and contract terms, and deviation of settlement deadlines from ordinary business practice.

Conclusion and proposals

The analysis conducted shows that improving the taxation procedure for foreign trade activities should be considered as a comprehensive task that combines fiscal, administrative, digital and institutional

elements. The main problems are manifested in the unevenness of the tax burden, risks of double taxation, accumulation of bad and overdue debt, complexity of customs procedures and insufficient integration of information systems.

First, it is necessary to ensure an economically justified distribution of the tax burden among imports, exports, commodity groups and market participants. Benefits and preferences should be applied on the basis of transparent criteria and should be linked to performance: export growth, expansion of the tax base, improvement of settlement discipline and reduction of administrative costs.

Second, it is advisable to develop stimulating and compensatory mechanisms that make it possible not only to punish violations of foreign trade discipline, but also to encourage entities to eliminate the consequences of violations. Refund of part of the fine in the case of timely asset repatriation is an example of such an approach, since it strengthens the motivation to restore currency and payment discipline.

Third, an important direction is the further development of electronic systems of foreign trade control. Recognition of certificates of completed works and rendered services through the E-kontrakt system, digital recording of debt status, electronic declarations and data exchange among agencies make it possible to reduce the paper burden and increase the reliability of information.

Fourth, customs control should develop on the basis of a risk-oriented approach, post-clearance audit and international standards. This will make it possible to accelerate procedures for bona fide participants, strengthen control over high-risk operations and reduce opportunities for undervaluation of customs value, smuggling and tax evasion.

Fifth, it is necessary to expand advisory support for foreign trade entities on issues of taxes, customs payments, currency control and international rules. The clearer and more stable the tax and customs regime, the higher the trust of business, investment attractiveness and the competitiveness of the national economy in external markets.

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