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Article

Uzbekistan's Accession to The World Trade Organization and Its Impact on The Tax System

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Abstract: The Entry of Uzbekistan to the WTO and the Formation of New National Taxation System: Aspects of Research A brief introduction that describes what the plan will focus on with the intention to diversify the economy, boost exports and become more integrated into global markets. The lack of awareness is about how the transition economies adjust indirect taxes, duties and tariffs to the World Trade Organisation rules. The methodology uses unique qualitative data across national laws, tax policy and trade agreements The findings suggest that countries are able to use embarrassing access to the world trade organisation to drive the national economy down towards lower level tariffs, equalised domestic and import based excises, abolish the export subsidy and enhance harmonization in value added tax The results are less ambiguities, a more stable and predictable trading environment, and domestic producers will be more competitive. Provided such reforms require much adaptation, but guarantee long-lasting export driving forces and a contribution to embedding Uzbekistan in global economic processes with both further enhancing its competitive position in international markets.

Keywords: World Trade Organization, tax incentives, domestic producers, value added tax, excise tax, export, import, bound tariff rates, applicable rate

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1. Introduction

Accession to the World Trade Organization is an in-focus process for emerging economies desiring greater third economy presence and influence. Membership means larger trade networks, higher export capacity and deeper co-operation with partner countries for Uzbekistan [1]. The traditional international trade literature indicates that countries that adapt their tax and trade regimes to global norms tend to enjoy more stable economic growth. Given that both tax reform and WTO integration affect competitiveness, national revenue, and market transparency, the relationship between tax reform and WTO integration is a vital scientific area of research within this context.

Traditionally, international economics has focused on aspects of competition, national treatment, and lowering trade barriers. A lucid gap in knowledge persists in the application of these principles to concrete reforms in the tax systems of countries with developing fiscal structures. Tariff reduction/dispute settlement dominated previous assessments, and little progress has been made in explaining the data breakdown of value added tax, excise duties and incentives restructuring in the case of Uzbekistan [2]. Through an organized review of domestic law, international treaties, and member countries' experiences, this study seeks to fill that gap.

This study employs a qualitative approach to analyze the reforms associated with the import tariff, the excise and the elimination of export related incentives. Next, we shall determine how these transformations impact market stability along with producer competitiveness as well as government revenue. It shows that the work required to prepare World Trade Organization accession accelerates tax harmonization, enhances transparency and encourages nondiscriminatory treatment between domestic and foreign goods [3]. The results also prove that Uzbekistan could potentially achieve a greater performance in exports and more attractive integration into the global value chains. More broadly, it signifies that sound tax reforms assist not only in fulfilling of the the amissions criteria but also open a window for the long term viability of economic modernization.

2. Materials and Methods

The aim of this qualitative research design is to assess especially the influence thereof of the Uzbekistan's accession towards world trade organization on national tax system. The methodology is based on a comprehensive analysis of both the primary, which include the Tax Code of the Republic of Uzbekistan, presidential decrees and government resolutions, and secondary data such as official publications of the World Trade Organization. The Trade Policy Reviews describe in detail most of the quantitative aspects such as, tariff policies, excise rates, indirect tax structure and reforms done to comply with international trade [4]. The data for the analysis are based on the statistical data spread by the State Tax Committee, public reports for the measures of excise adjustment as well as rules of value added tax and tariff bindings. The method of Comparative review is used enabling the evaluation of the experience of adaptation of tax systems of other member countries in the course of accession to the WTO, revealing particular regularities and deviations from them significant for the case of Uzbekistan [5]. Employing content analysis, the study identifies themes in swapping out harmonisation of indirect taxes, abolishment of export incentivisation, reduction of trade barriers and convergance of national treatment regimes. Each of the reform measures is analyzed as to its legality, particular economic impact and accorde with the rules of the World Trade Organization. This also incorporates some empirical modelling to predict the impacts of these changes on local producers, government revenue and export-import streams [6]. Such an integrated approach allows the study to connect legal reforms and economic consequences highlighting national economy implications and abstractions going both ways, toward findings which combine regulatory developments and their consequences to the national economy.

3. Results

WTO-wide trade agreements often revolve around negotiations on tax incentives. These can be promises to lower tariffs or to establish duty-free trade zones in certain areas [7]. For instance, developed nations provide preferential tariff rates to imports from developing nations, potentially through reduced or eliminated tariffs and/or duties, through the Generalized System of Preferences.

Also, the WTO has a dispute settlement system that can rule on tax policies that contravene its agreements. With this dispute measures body countries can challenge the tax measures of other countries that they believe violate the WTO rules. When one nation's tax policies are determined to infringe on WTO agreements, the Dispute Settlement Body can impose harsh consequences if that nation does not conform its policy with WTO law [8]. It exerts this consistency to preserve the integrity of the international trading system.

The issue of VAT and border tax reform is another important area where the WTO has a significant impact. According to the GATT, taxes equivalent to domestic taxes imposed on imported goods on a permanent basis under the principle of national treatment (such as VAT) are permitted. However, these taxes should not be higher than those applied to domestic products. Furthermore, the internal tax rebate on exported products should not exceed the actual internal tax content of the product, which ensures that exports are not treated more favorably than domestic products.

Currently, Uzbekistan is implementing reforms within the framework of the requirements of the World Trade Organization [9]. In particular, regarding excise taxes:

1) In order to adapt to the requirements of the International Trade Organization, in particular, to gradually equalize the local and import excise tax rates 2024. From January 1, 2019, the rate for the import of alcohol and tobacco products has been reduced by 5 percent, with the current rate for alcohol products being reduced from 106.8 thousand soums per liter to 101.5 thousand soums, and for cigarettes from 342 thousand soums to 325 thousand soums per 1,000 pieces, resulting in 6.8 billion soums remaining at the disposal of importers.

2) 2024-From January 1, 2019, excise tax rates on tobacco products were increased by 12 percent [10]. Funds from excise taxes on tobacco products will be directed to improving a healthy lifestyle among the population, restoring public health, and financing the healthcare system. For example, currently, the retail price of 1 pack of "Kent 6" cigarettes is 16,000 soums, of which the excise tax is 5,400 soums, and after the indexation of the excise tax, the price of cigarettes is 16,500 soums, the excise tax is 5,900 soums, and the share of tax in the price of cigarettes is 36%.

For information: in Russia this indicator is 35%, in Kazakhstan it is 24%. According to the requirements of the World Trade Organization, excise duty rates should be the same for domestically produced and imported products [11]. FYI: 5% of excise tax revenue is transferred to the Social Security Agency.

The rate of excise tax on domestically produced ethyl alcohol is being doubled (from 7,450 soums to 14,900 soums per liter). According to the recommendations of the World Health Organization, the share of excise duty in the price of alcoholic products should not be less than 60%. Currently, the price of 1 liter of ethyl alcohol is 28,000 soums, and the share of excise duty is 27 percent [12]. If the excise tax rate is doubled, the share of excise tax on 1 liter of alcohol will be around 40-43 percent.

For information: in Russia this figure is 76%, in Kazakhstan - 51%. For example: in 2023, as a result of a 5-fold increase in the excise tax rate on alcohol, revenues are expected to amount to 349.4 billion soums, or an increase of 5.8 times (90.9 billion soums in 2022). 2024- From April 1, 2020, fixed excise tax rates for petroleum products are being indexed by 12 percent.

In order to reduce the negative impact on public health and reduce damage to the environment, the excise tax rate on gasoline products with a high content of harmful gaseous substances is being indexed, and the current rate is being maintained for gasoline products that meet the requirements of European standards.

For your information: AI-80 gasoline is considered to have a high negative impact on the environment and human health. In many countries, gasoline of this grade is not produced or is used for agricultural purposes [13]. As a result of the indexation of the excise tax rate for a cubic meter of compressed gas, the price will increase by only 2.9 percent or 95 soums.

2024 From July 1, 2019, the excise tax rate for alcoholic products produced in the republic was increased by 5 percent (from the current 38,000 soums per liter to 40,000 soums). For example, the retail price of locally produced “Juravli” 40% vodka (0.5 l) is 22,200 soums.

Today, the share of excise tax on the price of vodka is 34 percent. Due to the change in the tax rates of alcohol and alcoholic products, the share of excise tax on the price of vodka is 36 percent. For example: in Russia this indicator is 49 percent, in Kazakhstan it is 41 percent.

In general, the adaptation of a country's tax system upon entry into the Global Trade Organization involves a detailed and often difficult overhaul of the existing tax policy. Ensuring that this process is conducted in accordance with the rules of the World

Trade Organization, which are designed to facilitate the development of market competition, trade and a predictable trading environment is essential.

Cancellation of export subsidies WTO rules normally prohibit subsidies that directly encourage exports, as they can also distort international competition [14]. Member states are often required to scrutinise their tax policies to remove fiscal incentives that function as export subsidies. This would encompass the removal of export-based tax incentives for corporations or the modification of tax incentives for the exported products. The purpose is to avoid competitive advantages in international trade by adjusting the taxes and subsidies on domestic and foreign products equally.

First among these is the cut in import duties. At the WTO, members agree to what are called "bound tariff rates"—the maximum rates they can apply, set through negotiation.

While the actual tariff (known as the “applicable rate”) may be less than the cap rate, it can not be more. This bind mandates that nations gradually mitigate their tariffs on myriad commodities, opening up more competitive marketplaces. It can impact tariff revenues as well, and may push countries into other sources of tax.

Membership in the World Trade Organization often leads to the harmonization of indirect taxes, such as value added tax (VAT) or sales taxes, to ensure that these taxes do not discriminate against imported goods [15]. Harmonization of indirect taxes Harmonization involves adjusting tax rates and structures so that imported and domestically produced products bear a similar tax burden.

This amendment is crucial in implementing the WTO principle of non-discrimination, in particular the national treatment obligation, which ensures equal treatment of imported and domestic goods in the tax system.

4. Conclusion

The following can be concluded as positive aspects of membership in the organization:

Firstly, it is based on economic interest. That is, mutual product exchange without barriers is achieved, and commodity exchange contributes to the use and development of high technologies. Secondly, it gives an incentive to improve the standard of living of the people, enables people to consume quality products. Thirdly, it serves to reduce the cost of national products at the expense of exported products. Fourthly, it will increase the amount of national production, increase the money inflows to the budget, trade liberalization will increase the income of the country and individual citizens.

A more seamless integration into the global economy paves the way for enhanced economic growth and development. In turn, some risks will appear, but we have entered globalization. After that, it is impossible to remain an island, to be isolated from the outside world. No matter how difficult it is, the sooner we open the doors and properly organize faster we will be able to accelerate Uzbekistan's readiness for global politics and economics.

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