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## COUNTRY REPORT OF THE STATE CUSTOMS COMMITTEE OF UZBEKISTAN

### I. BRIEF HISTORY OF THE CUSTOMS SERVICE OF UZBEKISTAN

None of the countries, be it large and self-sufficient with the key resources, can exist in isolation in the global space.

The customs policy of the country is aimed at promoting integration of the national economy into the global one. Being a constituent part of the external policy in the contemporary environment, the customs policy serves the goal of ensuring and implementing external economic objectives and interests of the country, being one of the active means in implementing its external economic policy.

The customs territory of Uzbekistan functions from the ancient times of the Great Silk Route.

Before declaring the independence, there were two customs border posts in the territory of Uzbekistan – at the border with Afghanistan and at the Tashkent International Airport, they were managed by Moscow (USSR).

In 1991 after the independence was declared, the National Customs Service was established.

In January of 1994, after the reorganization, it was included into the State Tax Committee as the Chief Customs Department; in June of 1997 the Chief Customs Department was reorganized into **the State Customs Committee** directly reporting to the Government.

Customs regulation in the Republic of Uzbekistan is based on the Customs code of the Republic of Uzbekistan, laws "On the Customs Tariff", "On the Customs Service" and "On External Economic Activities". Other legal acts of the Republic of Uzbekistan can be also adopted provided they do not contradict customs legislation.

## **II. KEY FUNCTIONS AND ACTIVITIES OF THE CUSTOMS BODIES OF UZBEKISTAN**



### **a. Organizational Structure and Chart**

Customs regulation is directly performed by customs bodies of the Republic of Uzbekistan, which are law-enforcement bodies and constitute a uniform system, which includes the State Customs Committee of the Republic of Uzbekistan and the Department of the State Customs Committee of the Republic of Uzbekistan by oblasts, Tashkent city, and the specialized customs complex – SCC “TASH-AERO”, the National Dogs Training Center, the High Military Customs Institute, as well as customs posts and specialized customs complexes.

The State Customs Committee of the Republic of Uzbekistan is situated in Tashkent, Uzbekistan Avenue, building 3 (official we-site of the SCC: [www.customs.uz](http://www.customs.uz)).

Customs bodies are also guided in their operations by the Constitution of the Republic of Uzbekistan, decrees of the President of the Republic of Uzbekistan, resolutions of the Government of the Republic of Uzbekistan, laws of the Republic of Uzbekistan and other legal acts, as well as international treaties signed by the Republic of Uzbekistan.

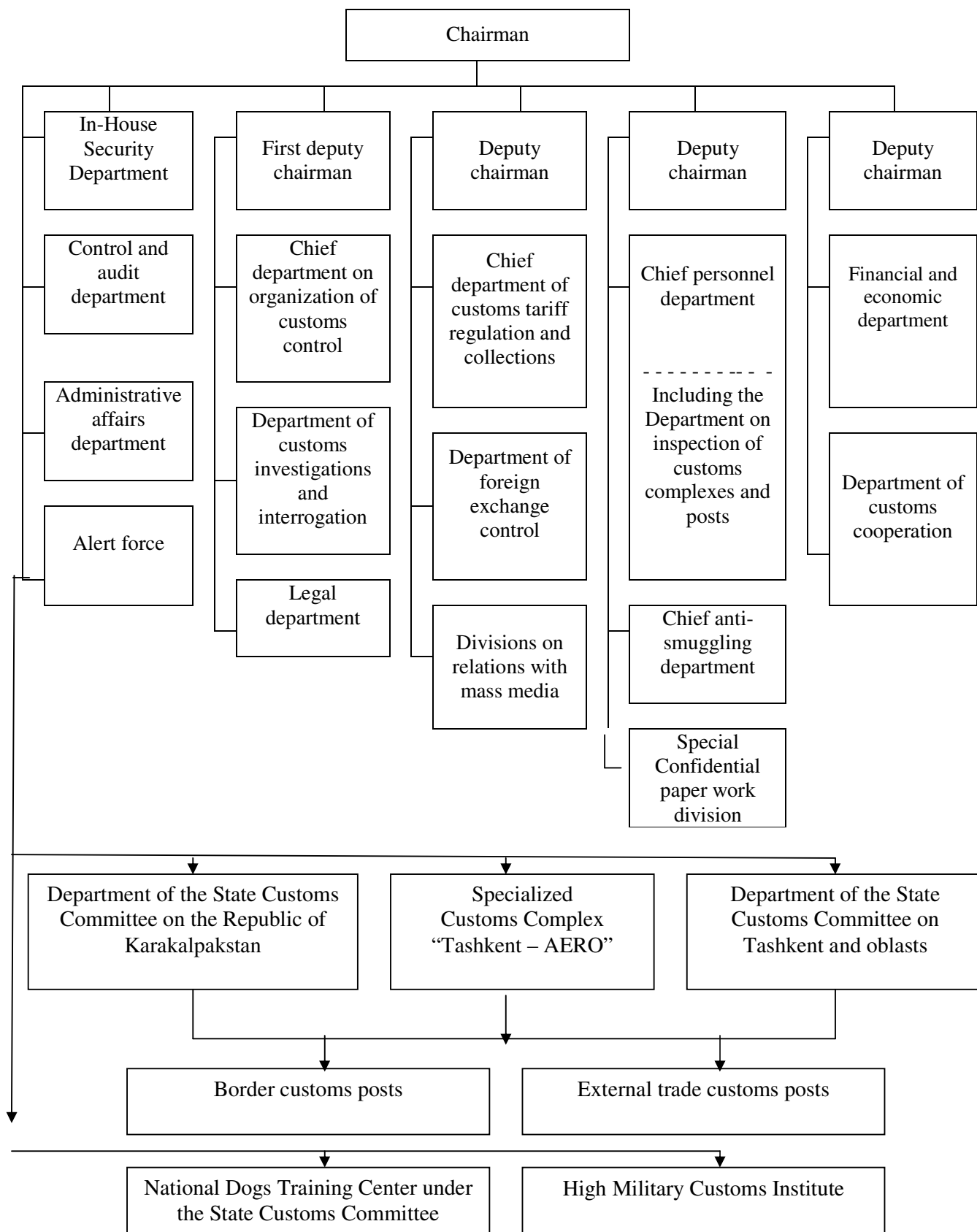
Customs bodies are law-enforcement bodies and are financed from the state budget.

The State Customs Committee is headed by the Chairman, who is a member of the Government.

Pursuant to the Law “On the State Customs Service” the Chairman of the state Customs Committee of the Republic of Uzbekistan is appointed by the President of the Republic of Uzbekistan upon recommendation of the Prime Minister of the Republic of Uzbekistan and is dismissed from the position by the President of the Republic of Uzbekistan.

As of today the Chairman of the State Customs Committee of the Republic of Uzbekistan is **Nasyrov Sadirhon Kholkujaevich**, major-general of the customs service.

# STRUCTURE of the State Customs Committee of the Republic of Uzbekistan



## **b. Functions and Responsibilities**

### **The key tasks of the customs bodies are:**

- protection of legal rights and interests of legal entities and individuals;
- protection of economic interests and ensuring economic security of the Republic of Uzbekistan within the limits of its competence;
- participation in customs policy development and implementation;
- enforcement of customs legislation;
- collection of customs tariffs;
- ensuring customs control over goods and transportation means subject to such control;
- prevention, detection and suppression of customs offences, including smuggling;
- maintaining customs statistics and commodity nomenclature of external economic activities;
- ensuring the fulfillment of commitments following from international agreements of the Republic of Uzbekistan, related to customs affairs.

### **Within their competence, the customs bodies shall have the right:**

- to examine transportation means, and in cases as envisaged by legislation – examine physical persons;
- to require from legal entities and individuals to present goods and transportation means, as well as necessary documents for examination;
- to execute foreign exchange control;
- to receive from financial, banking and other organizations, as well as from legal entities and individuals, information and documents related to export and import operations, and other information as established by legislation;
- to take samples of goods and other objects for the purpose of customs control;
- to have access, following the established procedure, to territories and premises containing the goods subject to customs control;
- following the established procedure, to consider materials on customs offences and hold physical persons and legal entities liable in accordance with legislation;
- in cases stipulated by legislation, to retain and confiscate goods and transportation means, which are direct objects of customs offenses;
- to take decisions on confiscations (with regards to economic entities – through court proceedings) when exporting objects and products from the Republic of Uzbekistan, which are prohibited for export, as well as tobacco and liquors without excise stamps, when they are imported, transported (except for international transit) and stored in the territory of the Republic of Uzbekistan;
- to conduct interrogations and operative investigation activities;
- to use technical and special tools to detect customs offences.

Customs bodies have other rights as envisaged by legislation.

### **Customs bodies shall be obliged:**

- to participate in implementation of the uniform state customs policy;
- to enforce customs legislation, the correctness of assessment, completeness and payment of customs tariffs;
- to support the implementation of measures to protect state security, public order, life and health of citizens, and the environment;
- to draft and publish, following the established procedure, methodological guidelines and legal acts on application of customs legislation;
- to inform legal entities and individuals in a timely manner of their rights and obligations when moving goods and transportation means and crossing the customs border;
- to issue special permits (licenses) for the right to engage in some types of activities as envisaged by legislation;
- not to disclose information constituting a state secret or a commercial secret, which they became aware of when executing their official duties.

Customs bodies shall also have other obligations as envisaged by legislation.

### **c. Major activities on customs modernization**

The customs affairs are developing taking into account integration processes taking place in the global community: trade globalization, significant in volumes of shipments moved across the customs borders, a qualitative break-through in ICT development. Therefore one of the strategic tasks of the customs service is to create a favorable business climate for traders, establishing a new constructive algorithm of interaction with entrepreneurs.

Uzbekistan conducts active negotiations on accession to the World Trade Organization, which, in turn, requires implementing a number of measures to bring national legislation in line with GATT/WTO and EU conditions.

To provide an effective support to trade and entrepreneurship development through simplification and harmonization of customs procedures, experts of the Eurocustoms and the USAID provide technical support in developing new version of the Customs Code and the Law “On the Customs Tariff. These draft laws are compliant with the rules of international trade and customs affairs, and first of all – with the provisions of the GATT/WTO and the International Convention on Harmonization and Simplification of Customs Procedures (Kyoto).

One of the important directions of developing external economic activities is accession of the Republic of Uzbekistan to the Eurasian Economic Community (EurAsEC), the establishment and the strategic goal of which is to ensure the maximum possible level of interstate integration.

This task assumes a phased establishment of:

A free trade zone with the elimination of tariff and non-tariff barriers in mutual trade;

A customs union with uniform tariff and non-tariff regulation in relation to third countries;

A common market ensuring freedom of inputs movement;

An economic and currency union with a harmonized economic policy.

In 2007 a decision was made on merging the Organization of Central Asian Cooperation with the EurAsEC, and the first international agreements on this issue were signed on January 25. Thus, the process of accession of the Republic of Uzbekistan to the EurAsEC has been started.

### **Modernization in the area of information technologies**

The **Uniform Electronic Information System of External Trade Operations (UEIS ET)**, has been developed and introduced, the users of which, apart from the SCC, are the Chamber of Accounts, the Ministry of Finance, the State Tax Committee, the Central and commercial banks and the Ministry of Foreign Economic Relations, Investments and Trade, which enabled to significantly reduce and accelerate registration of contracts of enterprises and organizations, traders, as well as to ensure currency control in terms of cash receipts from export of domestic goods.

**The Uniform Automated System of Control of Transit Goods and Transportation Means (UAIS «Transit-AWTO»)**, which also covers exports and imports and is linked to the Uniform Automated Information System of Control of Delivery of Shipments transported by vehicles (UAIS «AWTO»). This system enables to automate online clearance and control of deliveries by vehicles.

**The Uniform Automated System of Control of Foreign Trade Shipments transported by railways (UAIS «Railways »)**.

This system provides for on-line data exchange with the information system of the State Railways Company - Uzbek Temir Yullari, as well as monitoring of goods transported by railways, which enabled to detect and suppress activities of a number of organized criminal groups engaged in smuggling of goods using railways.

**The Uniform Automated Information System “Customs Payments” (UAIS «Customs Payments»)**.

The UAIS CP is intended to keep accounting records on assessment and collection of customs and other payments in accordance with the Customs Code and other legal acts of the Republic of Uzbekistan and includes the following accounting objectives:

- timely and correct documentation of operations on cash flows and assessment and collection of customs and other payments;
- control over collection of customs duties, taxes and other customs payments;
- control over correct and timely settlements with the budget, banks, declarants and other customs payers (legal entities and individuals);
- timely reconciliation of the assessment and collection of customs and other payments to avoid past due arrears;
- generation of daily, weekly, monthly and quarterly reports, semi-annual and annual statements by types of payments by the State Customs Service and by customs posts, on the customs posts – by inspectors;
- ensuring a possibility to display and print all forms of reporting on payments;
- to ensure access for users to all forms of reports in accordance with their authorization.

**The automated system to process cargo customs declaration data “ASPCDD”**, which ensures automation of key processes of data collection, storage and processing based on cargo customs declarations by goods subject to customs control, as well as operational access for customs complexes and posts to the uniform database in a real-time mode.

### **III. SYSTEM OF CUSTOMS TARIFF COLLECTION**

#### **a. Introduction of the System of Customs Tariff Collection**

In case of movements across the customs border of the Republic of Uzbekistan and in other cases as established by the Customs Code, the following customs payments may be payable:

- Customs duties;
- Value added tax;
- Excise tax;
- Charges for issuance of permits related to the regime of processing in the customs territory and the regime of processing outside the customs territory;
- Charges for issuance, re-registration and extending the validity period of the qualification certificate of a customs clearance specialist;
- Customs fee for customs clearance;
- Customs fee for the storage of goods;
- Customs fee for customs escorting of commodities;
- A fee for taking an advance decision.

Legislation may establish other customs payments.

The procedure of making customs payments is regulated by the Customs and Tax Codes, as well as some instructions of the Ministry of Justice and resolutions of the Cabinet of Ministers.

Only excisable goods are **subject to excise tax**, which include: spirits, spirit-containing solutions, alcohol products, beer, tobacco products, cars and mini-vans. Excise tax rates are established by a resolution of the President of the Republic of Uzbekistan.

**Value added tax on import** is levied at a rate of twenty percent.

The paid VAT amounts shall be deposited to accounts of territorial customs bodies with their further transfer to revenues of the republican budget.

Customs payments shall be paid before or at the time of acceptance of the customs declaration. When moving goods for non-commercial purposes customs payments shall be made at the time of acceptance of the customs declaration.

Executing the fiscal function, the customs service of the republic executed the collection of the budget revenue at 102.3 percent. Last year the customs payments transferred to the state budget totaled 1,111.0 billion sums, which is 435.7 billion more than in 2006. More than US\$ 10.0 million of customs charges paid by foreign carriers entering the territory of the republic and crossing it in transit has been allocated to the Republican Road Fund.

Each year the share of customs payments in the revenue part of the state budget is increasing. If in 2005-2006 customs payments made up about 13.3% of revenues, in 2007 they accounted for 18.6%.

The average excise tax rate is **29.14 %** (due to the introduction of specific rates), as compared to the rates established by the previous resolution of the President of the Republic of Uzbekistan the average excise tax rate **decreased by 1.63% (in 2007 – 30.77%)**. The reduction in the average rate was due to a transformation of excise tax rates for certain types of goods from combined into specific ones.

The average rate of import customs duties is **14.9%** (the average rate approved by the previous resolution of the President of the RU №183 dated 19.09.2005 was **14.8%**), which is **0.09% higher** than the average rate of the previous resolution (due to a detailed description of goods based on the new Commodity Nomenclature of external economic activities of the Republic of Uzbekistan of 2007 with a more accurate classification of goods down to the 10<sup>th</sup> digit).

## **b. Key challenges and existing problems**

### *Problems of customs regulation of external economic activities in the Republic of Uzbekistan*

As of today the Republic of Uzbekistan greatly succeeded in external economic operations, and bodies regulating external economic activities of the Republic of Uzbekistan made a significant contribution to it. Our state has been actively engaged in multilateral international schemes of economic cooperation, acceded and started pursuing an active policy in authoritative international financial and economic organizations, such as the UN and its institutions, the World Bank, the International Monetary Fund, the International Labor Organization, the World Health Organization, etc.

Currently the top priority tasks are: further strengthening of relationships with key trade partners, such as the Russian Federation, Kazakhstan, Belorussia, Tajikistan and Kyrgyzstan under the EurAsEC, as well as accession to the World Trade Organization.

The negotiations on accession of the Republic of Uzbekistan to the World Trade Organization are going on. The accession of the Republic of Uzbekistan to the GATT/WTO is extremely important, as our country has an open economy heavily dependent on external trade relations. Therefore the republic is to finalize its position with regards to the GATT/WTO and consistently take steps in the direction chosen.

The key advantages to be obtained by the Republic of Uzbekistan when it becomes a WTO member can be the following:

1) Non-discriminatory access to markets of 137 WTO member states (as of now about 90% of the whole trade turnover is regulated by the WTO rules);

2) Ensuring international legal protection of the country's economic interests. Having become a WTO member, the Republic of Uzbekistan will acquire certain rights and obligations as an exporting and as an importing member. It will have the right to protect itself from "serious harm" to its interests and from "loss or decrease in profits", being entitled to it as a WTO member. As an exporting member and an importing member it will have to put in place an institutional mechanism for undertaking an investigation on the existence of subsidies and their volumes, as well as on the presence of any harm or a reduction in profits. It will also have to provide the evidence of the linkage between the subsidies and their negative impact.

3) A significant improvement of openness of the trade policy and practice of trade partners ensuring increased security in trade relations.

4) The availability of legal frameworks for elimination of discriminatory measures (quantitative restrictions, anti-dumping measures, compensatory and protective measures) applied by the largest states when trading with the Republic of Uzbekistan. It is important for the country to make sure that when resolving these conflicts by using WTO schemes and dispute resolution procedures, and, first of all, when undertaking anti-dumping investigations, certain specific local economic conditions are taken into account (first and foremost, a low local salary), which precondition lower prices for certain types of goods, as compared to the European Union markets;

5) Participation of the Republic of Uzbekistan in the GATT/WTO system will contribute to establishment of a predictable investment climate in the country. In turn, this will promote the attraction of capital investment into competitive export-oriented industries of economy;

6) A possibility for the Republic of Uzbekistan to obtain from contracting parties of the GATT/WTO certain privileges envisages in a number of articles of the agreement. It is especially important to use the acquired privileges now, when the Republic of Uzbekistan is facing serious economic difficulties, and the local products exported are not quite competitive in the world market;

7) Strengthening of the country's image as a stable and reliable trade partner.

A new version of the Customs Code has been developed for the purpose of harmonization and unification with provisions of international legal documents regulating customs affairs and global trade. The draft code has been developed based on the piratical application of the current Customs Code, the experience accumulated by the world community in the field of international trade and customs law, as well as given the following key principles:

- consistency with international trade and customs rules (first of all – requirements of the WTO, Kyoto Convention and other international legal norms), as well as current legislation regulating external economic activities, foreign investments, licensing of certain activities, etc.,

- bringing the national legislation in line with European laws in accordance with the Agreement on Partnership and Cooperation concluded between the Republic of Uzbekistan and the European Community, as well as customs legislation of the EurAsEC member countries;

- preparation for adhesion to a number of international trade and customs conventions being the basis for external trade and its regulation in an overwhelming majority of countries, as well as those trading with the Republic of Uzbekistan;

- assigning the Code the nature of a document of direct application.

As a result of adoption of new laws the overall external trade regime of the Republic of Uzbekistan is as follows:

1. the average tariff rate is 10%;
2. the maximum tariff rate is 30%;
3. the minimum tariff rate is 5%, at the same time there are also 0% rates.