



WORLD EXPERIENCE IN E-COMMERCE TAXATION

KAMOLIDDIN T. URAZALIYEV

Associate Professor, Doctor of Philosophy (PhD) in Economical Sciences, The Dean of Correspondence Education faculty, Tashkent State University of Economics, Tashkent, Uzbekistan

Abstract: *This article discusses the global experience of e-commerce taxation, as well as the approaches developed in the process of its formation. At the same time, general principles and recommendations developed by international e-commerce taxation organizations were studied, as well as national tax legislation developed in a number of developed and developing countries. The study also covered the taxation of e-commerce in some CIS countries. The importance of taxes in the development of e-commerce was revealed and justified. In modern conditions of economic development, the need to develop and apply a separate effective tax mechanism, taking into account the characteristics of rapidly developing e-commerce, has been identified.*

Keywords: *e-commerce, e-commerce entities, e-commerce taxation, tax administration, national tax system, tax jurisdiction, national tax jurisdictions, international taxation, double taxation, double taxation elimination mechanism*

Today's rapid development of the e-commerce sector requires solving long-standing and pressing problems faced by some countries, in particular Uzbekistan. It is important to emphasize that when developing and implementing measures to create an effective taxation mechanism in Uzbekistan, it is necessary to carefully study international experience in this field of activity.

There are different approaches to e-commerce taxation around the world. A number of international organizations, in particular such as the Organization for Economic Co-operation and Development (OECD), the UN Commission on International Trade Law, the Conference on Trade and Development, as well as the European Commission, have conducted research in the field of electronic commerce and coordination of its taxation and on this basis, developed general rules and gave recommendations for their practical application. Although the recommendations of international organizations are similar, they note a unilateral approach based on the priority interests of these organizations.

Thus, the international organization OECD has developed basic principles for the taxation of e-commerce, the main idea of which is that the tax burden on e-commerce taxation should not be as high as in other areas, and the tax administration process should not be complicated.

According to the data illustrated in Fig. 1, countries that are leaders in the field of modern information technologies and have a significant share of exports of digital products are supporters of providing certain privileges and preferences, maintaining the current order in the taxation of e-commerce, in contrast to states importing digital products in order to prevent

budgetary losses, attempting to eliminate gaps in the taxation of e-commerce, seeking to coordinate electronic economic relations as much as possible in terms of budgetary and tax interests, in particular regarding their registration and payment of taxes.

This is another area that has emerged in the taxation of e-commerce in the world, directly related to the policies of a number of states. Of course, in this regard, each country chooses the most optimal path for itself. We consider it advisable to study the processes listed above using the example of individual countries.

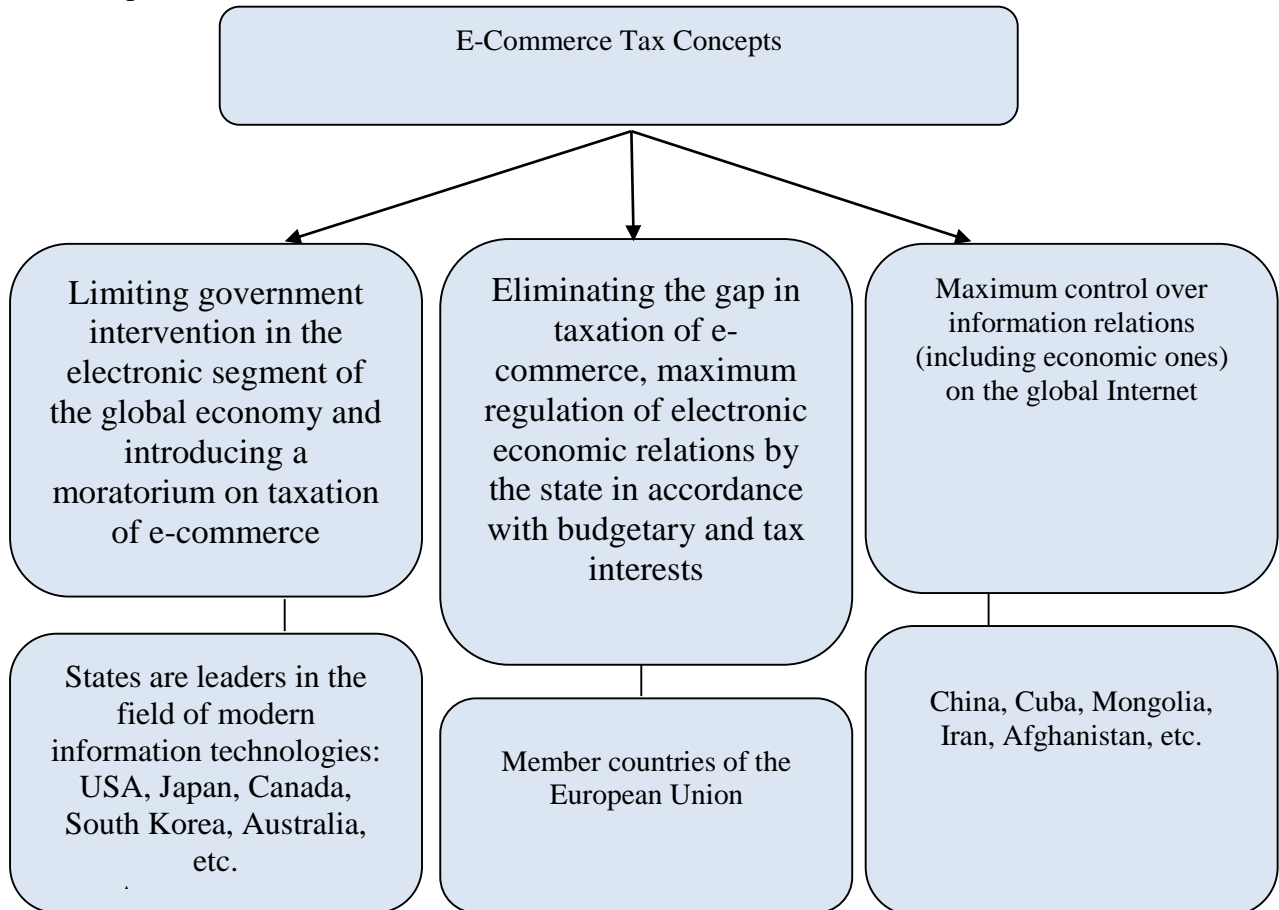


Fig.1. E-Commerce Tax Concepts¹

The European Union has developed a special approach to the taxation of e-commerce entities, which is based on the following principles that correspond to the developments of the international organization OECD:

- no need for new taxes to tax e-commerce (value added tax is sufficient);
- taxation of electronic products as services, not goods;
- consumption tax should be levied at the place of consumption, etc.

Based on this approach, significant changes have been made to the taxation of e-

¹ Development by the author based on the research results.



commerce in Europe. In particular, it has been determined that VAT in e-commerce is subject to VAT in the European Union country where the purchase was made.

The efforts of a number of EU countries (France, Switzerland, Germany) to create a mechanism for identifying e-commerce entities engaged in illegal business activities are noteworthy. Thus, on the website of a legal entrepreneur there is a unique identification number that allows the consumer to check whether the e-commerce entity is registered with the tax authorities. By purchasing goods from these entrepreneurs, the state guarantees the rights and protection of consumers. Naturally, netizens prefer to make purchases from companies that have this “identification” number.

The introduction of a system of large fines for carrying out illegal business activities on the Internet is another area of practice in the European Union (in Germany, Spain, Italy). For example, entrepreneurs may attempt to evade taxes due to the complexity of managing their business on the global Internet, however, according to tax authorities, high fines (up to confiscation of all company property) can lead to a reduction in the number of organizations illegally operating on the Internet.

The USA is a leader in the level of development of e-commerce. Here, to this day, special laws have repeatedly introduced a moratorium on the taxation of e-commerce. However, it does not mean at all that e-commerce entities are not subject to taxation, but rather pay taxes in the generally established manner, like other entities; it is indicated that only in this area additional taxes are not levied².

China also occupies one of the leading positions in the e-commerce market. Like other countries, China has a problem with tax evasion by e-commerce entities. In order to regulate this area, a special law was adopted here in 2014, according to which all e-commerce entities must be registered and this must be indicated on the website. At the same time, cooperation with other countries in the field of e-commerce taxation is seen as a priority in China.

We studied the principles of improving the taxation of e-commerce based on international experience and considered the issues of its implementation in the Republic of Uzbekistan.

In order to avoid obstacles to the development of e-commerce in the early stages of its development and immediate growth, taxation issues in such approaches as maintaining the current tax system of the generally established order, the absence of additional taxes and other mandatory payments, and the non-application of individual taxes were considered by the administration with caution, to accelerate the development of this type of commerce in recent years, many countries have spoken about the need to improve the taxation system, taking into account its features in terms of preventing budget losses. Based on this, the factors listed above should be taken into account when developing a taxation model for entities operating in this area, as well as in the process of improving the tax control system.

Technically, the Internet is a process that makes it easier to access information about taxes and their collection. However, in taxation practice, commerce via the Internet also creates

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a number of problems. Which, in particular, cover international and national interests. International ones include: determination of tax jurisdiction, international double taxation, gaps in the tax system, unhealthy competition; to national: determining the procedure (system) for taxation of the taxpayer, improving tax administration, shortcomings in tax legislation, etc.

Today, the taxation of e-commerce has the following problems:

the seller does not know the status of the buyer, in particular, whether he is a resident or non-resident, a legal entity or an individual, etc.;

in e-commerce, it is often difficult to determine the place of sale of goods, which is necessary for the correct calculation and payment of taxes, and, in some cases, determining the sale of goods or the provision of services (for example, electronic software products) is also a problem. It should be noted that in the context of two types of taxation of these two objects, uncertainty is further enhanced;

the emergence of problems with taxation due to the fact that it is difficult to confirm the cancellation of a completed auction via the Internet in the event of a buyer's refusal to accept the goods in an e-commerce environment;

E-commerce entities typically use servers located in other countries for tax evasion purposes. However, their operation is considered a permanent establishment and may entail the payment of all taxes in the manner prescribed by e-commerce entities.

This clearly raises two problems, in particular, such as collecting all taxes from e-commerce entities for the state and knowing the exact amount that can be paid for e-commerce entities.

The Internet is an activity aimed at regularly generating income and can be carried out not only by taxpayers registered in the prescribed manner and maintaining tax records, but also by entities that have not gone through this procedure. Such activities require special supervision by the competent authorities to identify and appropriate administrative and criminal punishment for illegal business activities.

When goods ordered via e-commerce are paid for in cash, for example when a courier delivers goods to the buyer, this may allow the business entity to avoid cashing in the cash and increases the risk of reducing, destroying or concealing the tax base. In our opinion, it is advisable that a mandatory condition for payment for purchases through e-commerce should be a transfer only using a non-cash form of payment.

At the same time, taking into account the development of e-commerce and trade in our country, in order to limit the unofficial income of entrepreneurs engaged in this activity, the introduction of remote online electronic cash registers based on electronic digital standards implemented in the country is required.

It should be especially noted here that the introduction of remote electronic cash registers in our country will create, firstly, opportunities for the further development of e-commerce, and, secondly, will help solve a number of problems in the taxation of income of entrepreneurs in the field of e-commerce.

The issue of taxation of digital goods remains relevant in the economy. Thus, legally, in the digital economy, customs duties must be charged when moving goods from one place to



another. Meanwhile, in global tax practice, an effective mechanism for controlling the movement of these goods across the customs border has not yet been created. In particular, methods for collecting customs duties on goods in e-commerce have not yet been developed. As a rule, refusal to pay customs duties on electronic goods is explained by the fact that the costs of customs control exceed the amount of customs duties.

Currently, the global community has not yet developed a common and unified approach to the taxation of e-commerce. This problem is addressed in different countries using different approaches, resulting in certain difficulties for taxpayers and tax collectors. Thus, problems of taxation of foreign e-commerce entities arise when administering direct taxes related to the determination of a permanent establishment, and indirect taxes related to the calculation and payment of value added tax.

Electronic money also plays an important role in e-commerce, the increase in volume of which makes it difficult to handle mandatory payments, such as value added tax and income tax. It should be noted that electronic processes indirectly affect the formation and activation of various offshore financial institutions, as well as the withdrawal of tax revenues from the tax jurisdiction.

Unfortunately, in the process of rapidly developing modern information technologies, failure to eliminate emerging problems in the near future can lead to the fact that a significant part of the state's tax revenues will be lost. The virtualization of transactions and the increase in the number of goods transferred digitally further complicate the process of identifying the subject of taxation and monitoring taxation processes.

We believe that in conditions where modern communication technologies are poorly developed and e-commerce is just emerging, the taxes paid by entities in this area are insignificant. It is under such circumstances, i.e. when e-commerce does not have a significant impact on the formation of the state budget, it is necessary to provide some tax incentives in this area and focus on systemic regulation.

In this case, low taxes or their abolition altogether, in our opinion, can become the most important factor in the development of electronic commerce and the wider use of electronic forms of commercial agreements between entities. In this regard, it is necessary to reconsider the tax policy applied to e-commerce in our country, i.e. levy taxes on the basis of generally established principles.

CONCLUSION

Based on the results of a study of the specifics of e-commerce and its taxation, the following conclusions were made:

1. Today, e-commerce is important not only if it has positive aspects for a particular business entity or consumer, but also in the socio-economic development of the country. It should be recognized that e-commerce not only has a positive impact on the economy of any country, but at the same time it is a factor in the emergence of some problems. Thus, issues related to the regulatory regulation of some aspects of e-commerce have not yet found their final solution. In particular, in the conditions of modern realities, the accelerated development of commerce requires solving the issue of taxation of its subjects.



2. State tax policy in the field of e-commerce largely depends on the development of information technology in the country, in particular, if a number of leading countries (USA, Japan, Canada, South Korea, Australia) advocate maintaining the current preferential tax regime for e-commerce, while others (EU countries, China), on the contrary, are trying to eliminate gaps in the taxation of e-commerce and coordinate this activity with the state from the point of view of the budget and tax interests. Another area that has emerged in the taxation of e-commerce in the world is directly related to the policies implemented by a number of states.

3. Noting the advantages of e-commerce, changes in traditional economic relations have complicated tax and customs legislation, in particular, monitoring the implementation of agreements, when there are cases of non-fulfillment or abuse of their obligations by taxpayers who are subjects of the e-commerce market, using gaps in the legislation. This requires control not only from tax authorities, but also supervision from the competent authority to identify and appropriate administrative and criminal punishment for illegal business activities.

4. Tax authorities, within the framework of their powers, can control the movement of funds and electronic money transfers to bank accounts of commercial organizations that have bank accounts and electronic wallets, and receive information about this activity from credit organizations. However, if such activity is carried out not by an official entrepreneur, but by an individual with an electronic wallet, then there is no possibility of tax control over the electronic flow of such funds. In this process, it is also advisable to establish the obligations of credit institutions regarding the income of suppliers of electronic products and services of national and foreign commercial entities.

5. One of the reasons for the emergence of tax administration problems in the process of taxation of electronic commerce is the lack of a coordination system between the tax authorities of different countries. The need to develop areas of international cooperation between tax services in improving tax administration in the field of e-commerce is noted.

6. There are many ways to avoid taxation at the level of Internet transactions or an entire business, as a result of which the tax base for VAT, income tax and other mandatory payments for e-commerce entities is significantly reduced, and therefore it is necessary to develop and apply a separate approach that takes into account Features of taxation of e-commerce.

7. Carrying out taxation of e-commerce entities in the generally established manner helps to reduce the tax base of e-commerce in the country and does not ensure the execution of budget revenues. The features of this activity must be taken into account when developing a national taxation model, including improving the tax control system.

As a proposal, we can point out that studying and researching the problems and features of e-commerce and its taxation, rapidly developing and having significant tax potential, e-commerce in the foreseeable future can become one of the factors in the formation of an effective taxation mechanism, on the basis of which losses of budget revenues can be prevented.



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