

STATE TAX COMMITTEE

No.

THE REPUBLIC OF UZBEKISTAN

**IMPROVEMENT OF THE TAX
ADMINISTRATION OF THE REPUBLIC OF
UZBEKISTAN**

PROJECT COMPLETION REPORT

(Summary)

MARCH 2011

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

INSTITUTE FOR FINANCIAL AFFAIRS, INC.

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Abbreviations

CP	Counter-part
HR	Human Resource
JCC	Joint Coordination Committee
JICA	Japan International Cooperation Agency
M/M	Minutes of Meeting
NTA	National Tax College
OJT	On the Job Training
PDM	Project Design Matrix
RD	Record of Discussion
STC	State Tax Committee
UNDP	United Nations Development Program
UZS	Uzbekistan Sum
VAT	Value Added Tax

1 Project Outline and Outcomes

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1.1 Project Background

JICA implemented the technical cooperation project “Joint Research on the Improvement of Tax Policy and Administration of the Republic of Uzbekistan” from November 2003 through August 2004. In this project, the counterpart agency in Uzbekistan prepared all aspects of related reports, with a group of experts from Japan advising and answering questions along with conducting a survey of taxpayer attitudes in order to gather objective information. In doing so, issues were identified such as frequent amendments to the taxation system, high tax rates, and the extremely weak position of individual firms vis-à-vis the tax authorities.

While there is a need to advance tax administrative reforms to address the above issues, Uzbekistan continues to require intellectual aid from developed countries in areas such as optimization of the structure of tax authorities, training and improving the skills of tax collectors, improving relations between tax authorities and taxpayers, and optimization of the tax system.

In light of these conditions, Uzbekistan has formally requested of Japan the technical cooperation project “Improvement of the Tax Administration of the Republic of Uzbekistan”, and this proposal has been adopted by the Japanese government. In response, JICA is implementing the project, planned to cover the three-year period with the State Tax Committee (STC) serving as the counterpart agency.

1.2 Project Aims

The aim of this project is to enable the Uzbekistan’s State Tax Committee (STC) to properly manage the nation’s tax administration through the development of human resources (HR). Specifically, the project will develop and guide the STC’s HR Development Program so that Tax Academy and Tax College instructors can provide training and capacity building to tax officials engaged in tax auditing and taxpayer services.

1.3 Project Duration

May 2008 to March 2011

1.4 Project formation

Co-work between Japanese experts and Uzbekistan cps and country focused training in Japan

1.5 Project Outcomes

(1) Overall Goal

STC officials develop professional skills and knowledge in the field of taxpayer services and tax audit.

This project aims to bolster introductory education of new or prospective tax officials and ongoing education of practicing tax officials, and is therefore unlikely to have an immediate effect on achieving the primary objective. Nevertheless, we have observed partial progress.

A number of measures have helped to improve taxpayer services such as proposal of operational reforms, convening effective seminars, hosting a 'tax week', and conducting a nationwide survey to ascertain taxpayer opinions. We anticipate that continued implementation of these and other measures will deliver further improvements to the STC's taxpayer services.

Review of our tax audit reform proposals has also led to the adoption of new techniques including the STC's exclusive control of bazaars and introduction of tax audit selection methods

based on comparison of income tax declarations within the same profession.

The application of training texts to tax official education is also expected to boost the capacity of tax officials. Uzbekistan's existing teaching materials are based on theory and there are virtually no practical texts. We therefore consider that the development of practice-oriented texts integrating examples from overseas tax systems will help to build the practical skills of STC tax officials.

(2) Project Purpose

The faculties of the Tax Academy and Tax Colleges acquire the capacity for improving curricula, instructional plans and teaching materials, so that appropriate training program is delivered to STC officials in the field of taxpayer services and tax audit.

Under this project, we have jointly developed the following texts: 'Tax Auditing: Fundamentals(introductory level)'; 'Tax Auditing: Techniques(intermediate level)'; 'Tax Auditing: Applied(upper level)'; 'Tax Collection'; 'Tax Collection' 'Tax Collection Tax College Edition'; and 'Taxpayer Services'. The texts were developed based on collaboration between 1 JICA expert from Japan and 3 Uzbekistan CPs from the Tax Academy, Tax College, and STC. The texts were completed according to the following process: text preparation → experimental use in lessons → evaluation → amendment → approval (by Tax College & Tax Academy committees). The texts will need to be revised in the future in response to amendments to the tax system, presidential decrees, and changes to tax administration. However, the skills acquired by the CPs in authoring these texts will enable them to perform these revisions. In short, the skill level of teachers has increased.

The Tax College and Tax Academy are both under the jurisdiction of the Ministry of Higher and Secondary Special Education so implementing changes to their curricula via addition of new subjects can be a very time-consuming process. A decision was therefore made following discussion to use the prepared texts within existing subjects as secondary texts. A list of subjects using the new texts in the academic year from September 2010 to July 2011 appears in the table below. In the future, we hope to obtain the Ministry's approval of the texts so that they can be used in independent subjects.

Table1-1
Tax Academy & Tax College Usage of Texts Developed Under the Framework of the JICA
Uzbekistan Tax Administration Reform Project

Text	Subject		
	Tax Academy		Tax College
	Tax & Taxation Dept.	Re-education Dept.	
Tax Auditing: Fundamentals & Tax Auditing: Techniques	Tax Control (Auditing) Planning & Operation (36; 300)	Tax Control (Auditing) (60; 15)	Tax Control (Auditing) (85; 257)
	Tax (Payment) Obligations (42; 300)	-	Tax System Fundamentals (90; 417)
	Tax Consulting (42; 300)	-	Tax Analysis & Audit (96; 533)
Tax Arrears & Collection	Tax Payment & Estimation	Collection of Corporate & Individual Tax Arrears (228; 2,700)	-
	Tax Revenue Estimation (18; 60)	Tax Payment & Estimation (14; -)	-
Tax Arrears Reduction (Tax College Edition)			Tax Arrears Collection (20; 375)
Taxpayer Services	Tax & Taxation (8; 60)		Fundamentals of Taxation (20; 363)
	Foreign Tax Systems (8; 60)		
	Tax Consulting (20; -)		
	Corporate Taxation (18; 75)		
	Individual Taxation (18; 75)		
	Tax History & Theory (18; 73)		

Source: Dept. of Academic Affairs, Tax Academy;
Numbers appearing on the left indicate total subject hours while numbers on right indicate no. of enrolled students.

*The Re-education Department provides education and training to tax officials who graduated from universities other than the Tax Academy.

(3)Progress of Project Outputs

The progress of each output is measured according to indices.

Output1. Administration of the Project is established.

Output 1 has been accomplished. An explanation of the index used to measure the outcome and details of accomplished tasks are provided below.

1-1 The officials of STC, Tax academy and relevant organizations are assigned as the Project members.

A total of 12 Project CPs were appointed to the 1st Field Work, Year 1, along with Joint Coordinating Committee (JCC) members.

1-2 Annual plan of operation is prepared, and approved by JCC.

The Year 1 plan was approved during discussion of the Inception Report (IR). The Year 2 plan was approved by the 3rd JCC while the Year 2 plan was approved by the 5th JCC.

1-3 The Project monitors its activities, and compile the semi-annual report for STC and JICA through JCC.

The Year 1 it was achieved by 2nd JCC, the Year 2 by 4th JCC, and Year 3rd by 6th JCC.

1-4 The Project holds workshops for the purpose of sharing the output of the Project.

- At the 1st Field Work in Year 1, a seminar was held on Japan's circumstances and methodologies in the following fields
 - (1) Tax system of Japan and organizational chart of tax bodies in Japan
 - (2) National Tax College of Japan
 - (3) Tax audit in Japan
 - (4) Tax collection in Japan
 - (5) Current condition of “taxpayer services” in Japan
- At the 7th Field Work in Year 2, a Q&A seminar on Japan's tax system and administration was held for 200 participants comprising Tax Academy students and instructors, CPs, and tax officials.
- At the 8th Field Work in Year 2, an operational reform seminar was held for STC executives and Tax Academy/Tax College instructors to propose ways to reform Uzbekistan's tax administration based on Japan's tax administration and techniques. Feasible proposals were examined and discussed, and some have already been implemented.
- At the 8th Field Work in Year 2, two special seminars entitled 'Japan's Tax Administration Objectives and Implementation' and 'Tax Auditing in Japan' were held for about 200 STC officials; resulting in a shift in tax administration ethics and change in attitudes towards tax auditing.
- Instructors and students participated in experimental lessons using the 'Tax Auditing: Fundamentals', 'Taxpayer Services', and 'Tax Collection' texts, after which the lessons' key points and teaching methods were addressed.
- Tax attorney reforms were proposed at a tax seminar held at the 9th Field Work in Year 2. Among the seminar's attendees were officials from the STC and Ministry of Finance, Tax Academy/Tax College instructors, representatives from international agencies, and members of parliament.
- A Completion Report (CR) seminar was held at the 13th Field Work in Year 3 to discuss the project outcomes. Participants included officials from the STC, Tax Academy/Tax College instructors, and representatives from international agencies.

Output 2. The present situation of tax administration is examined.

Output 2 has been achieved. An explanation of the index used to measure the outcome and details of accomplished tasks are provided below.

2-1 The TOR for the baseline survey of tax administration in Uzbekistan is confirmed.

Terms of Reference (TOR) for the baseline survey were presented in the IR. In addition, specifications were drafted and orders were placed for sub-contracted surveys on taxpayer services and tax auditing to be conducted in Year 1.

2-2 The baseline survey of tax administration in Uzbekistan is conducted, for the purpose of analyzing the present situation.

The survey results were published in the Year 1 CR.

2-3 The issues to be solved are examined.

Based on the results of the survey in 2-2, Uzbekistan tax administration reform proposals were prepared and an operational reform seminar was held at the 8th Field Work in Year 2. The following proposals were adopted following a review by Uzbekistan CPs – 1) tax auditing: exclusive control of bazaars by the STC, and tax audit selection methods based on comparison of income tax declarations within the same industry; 2) tax collection: recording of communications with tax delinquents; 3) annual tax collection plans: plan to reduce tax arrears, and operating plan to deal with tax delinquents; 4) taxpayer services: hosting a 'tax week', and conducting a nationwide survey to ascertain taxpayer queries and opinions.

Output 3. The training programs of the Tax Academy and the Tax Colleges in the field of taxpayer services and tax audit are modified.

Achieved.

3-1 The present human resource development plan of STC is examined.

3-2 The present situation and the issues to be solved for both initial and recurrent training program at the Tax Academy and the Tax Colleges are examined.

Regarding 1-1,1-2 results were published in the Year 1 CR.

3-3 The modification plan for both initial and recurrent training programs at the Tax Academy and the Tax Colleges are prepared.

The plan was published in the Year 2 report. A decision was made to prepare practical texts and to adopt a phased approach to tax audit education in the form of basic, technical, and applied text editions. A decision was also made to prepare a text on tax collection as well as a simplified edition for use at the Tax College. The concept of taxpayer services is still new in Uzbekistan so a decision was made to cover the subject in a single text.

Output 4. The modified training program is implemented.

Achieved in Year3.

4-1 The modified training programs are delivered to the officials of STC.

In Year 2, experimental lessons were carried out using the prepared texts. In Year 3, the texts were used in formal lessons. Refer to the table above for the subjects in which each text was used and other relevant details.

Output 5. The modified training program is evaluated, and re-modified.

Progress in achieving this outcome has been limited because the aim at the start of the project was to amend existing texts but Uzbekistan's lack of practical texts has necessitated the development of new texts which have taken longer to complete. As such, there was insufficient time to revise the texts for a second time. However, technology transfer from the JICA experts to the Uzbekistan counterparts was achieved in the process of jointly preparing the texts from scratch so the CPs are able to carry out the second revision on their own.

5-1 Evaluation survey for the modified training programs is implemented.

Instructor evaluation was undertaken in the 13th Field Work but only a short time has elapsed since the prepared texts were introduced so it would be better to conduct the evaluation again after the texts have been in use for a longer period — ideally at the end of the school term in July.

5-2 Re-modification of training programs is conducted based on the results of the evaluation survey.

A second revision is yet to be carried out. The results of the above-mentioned evaluation are available but only a brief period has elapsed since the texts were introduced so the training program should be re-evaluated both in terms of actual implementation and necessity once a certain period of time has passed.

Output 6 The proposal to improve the tax accountant system and tax accountant education is prepared.

Outcome 6 was achieved in Year 2. In Uzbekistan, the recommended number of tax accountants is stipulated in a governmental documents but the actual number has failed to reach this quota. A JICA expert assessment of the number of people who passed the national tax attorney exam deemed that the difficulty level was too high and recommended a partial exemption for those with relevant practical experience and academic qualifications in order to increase the number of tax attorneys. Uzbekistan is currently considering systematic reform to accommodate this proposal.

6-1 A better understanding of the current state of the tax accounting profession and of tax accountant education is gained.

The current conditions were ascertained in the 7th and 8th Field Works in Year 2, and were subsequently published in the Year 2 Progress Report (PR).

6-2 The recommendation on ways to develop Uzbekistan's tax accountant system is prepared.

The proposals were to be announced at the Tax Accountant System Seminar and were therefore prepared as presentation materials according to 2 categories, specifically 'tax accountant system' and 'tax accountant education system'. The proposals were also published in the Year 2 CR.

6-3 The seminar for tax accountant system in conjunction with Uzbekistan's Ministry of Finance is held.

The seminar was held at the 9th Field Work in Year 2, and was attended by about 80 people including STC and Ministry of Finance officials, Tax Academy/Tax College instructors, representatives from international agencies, and members of parliament.

2 Administrative Results and Methods

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2.1 Project Work Flow Summary

Year1

(1) 1st work in Japan(June 1–Jun9 , 2008)

Preparation for the survey and inception report

(2) 1st field work in Uzbekistan (June 10–July 1, 2008)

1)Preparation of Inception Report

2)Clarifications and discussions on the Inception Report, drafting and finalizing the Minutes of Meeting

The Inception Report was discussed and clarifications made. The Minutes of Meeting were composed and signed by both Sides. There were no comments with regard to the Inception Report, but both Sides specified special terms regarding the tax administration field.

3) Setting up the Joint Coordination Committee

The members of the Joint Coordination Committee (JCC) were assigned.

4) Assignment of Counterpart Personnel

The assignment of CP was requested to facilitate project implementation in the areas of human resource development planning, tax audit, taxpayer services and tax collection.

5) Study of current conditions in tax administration

Current conditions in the training system, tax audit, tax collection and taxpayer services were studied.

A. Interviewing of taxpayers

All experts in the project visited three private enterprises and interviewed them on the subjects of submission of declarations on various types of taxes, tax audit, modes of receiving information in case of amendments in tax legislation, dealing with taxpayers by tax officials, and their opinions about taxes and the work of tax offices.

B. Survey of the Tax College and Tax Academy

a. First survey

All experts jointly surveyed the condition of educational institutions (lecture rooms, libraries, computers and other facilities). Professors were interviewed to obtain information on subjects, teaching methods, library resources, teaching staff, numbers of students, and occupational placement of graduates.

b. Second survey

Experts requested available materials to survey the condition of tax-related training materials and provision of textbooks, data on teachers and their assignments, and training curricula.

With regard to textbooks, it was found that the Tax College and Tax Academy were using subsidiary teaching materials published in Russia as well as lecture texts composed by the responsible professors (available online). This was due to a shortage of specialized textbooks, as textbooks need to be approved by the Ministry of Higher and Secondary Special Education and at least 15% of students should have them to be approved as a textbook. Therefore, 10 textbooks, including subsidiary teaching materials on specialized areas of tax, were chosen as references for the survey. Cover pages and contents of these materials were translated into Japanese for reference in identify directions for developing teaching materials.

C. Implementation of Workshop

A one-day joint workshop was held with the participation of 20 experts, 15 experts from Uzbek Side (representatives of STC, Tax Academy and Tax College) and five Japanese experts from JICA.

During the workshop, both sides presented their reports on the subjects listed below, and time was allocated for questions and answers (names of reporters are provided in brackets).

- (1) Tax system of Japan and organizational chart of tax bodies in Japan (Yoshinobu Watabe)
- (2) National Tax College of Japan (Akehiko Homma)
- (3) Description of Tax Academy of the Republic of Uzbekistan (A. Bahromov – Tax Academy)
- (4) Tax audit in Japan (Fumio Hashimoto)
- (5) Information on tax auditing in Uzbekistan (Tagaev - STC)
- (6) Tax collection in Japan (Akehiko Homma)

(7) Tax collection in Uzbekistan (Tangirkulov - STC)

(8) Current condition of “taxpayer services” in Japan (Heizo Koike)

(9) Current condition of “taxpayer services” in Uzbekistan (Boymurodov – STC)

Reports from both sides on similar subjects contributed to the identification of differences between the sides and provision of valuable information for further development of the project.

Summarizing the workshop, both sides expressed their opinions and comments concerning the presented reports.

(3) 2nd work in Japan (August1–August3 , 2008)

Preparation for the 2nd field survey

(4) 2nd field work in Uzbekistan (August 15–September 3, 2008)

1) Preliminary meeting with CPs

12 experts from STC, Tax Academy and Tax College were nominated as CPs for each area. On the first day of the field survey in Uzbekistan, the preliminary meeting with CPs was held to discuss further work plans for each area, separately.

2) Study of current conditions in tax administration

Follow-up to the survey launched during the first field survey.

A. Interviewing of taxpayers

These activities were similar to those of the first field survey. Experts visited three enterprises and interviewed them on such subjects as types of taxation, tax auditing, processes of tax enforcement and tax officials’ manners towards taxpayers.

B. Interviewing of tax bodies

First, experts visited the tax office of Keles district in Tashkent province. The head and deputy head of the tax office explained to us about taxpayers’ visits to the tax office, procedures for submission of declarations, taxpayer management, and the order in which taxes are levied. The next visit was to the tax office of Chilanzar district in Tashkent city. We met managers and tax officials in each area and gained an understanding of their respective situations.

3) Status of works implemented within each area

A. Human resource development

Relevant information on training before and after employment at tax offices (college, academy, professional development and retraining courses) was received by interviewing CPs from the Tax Academy, Tax College and STC. The Tax Academy and Tax College provided textbooks and teaching materials on special subjects. The main points of those materials were translated into Japanese and their contents were studied. Moreover, the Japanese side presented written questions to CPs on interviewing and recommendations on improvement of training system, and asked them to provide answers on their next visit.

B. Tax audit, tax collection, and taxpayer services

• Tax audit

Status of audit targets, department responsible for auditing, audit methods, and training regarding auditing (Tax Academy and college education, professional development courses for tax office specialists) were examined.

• Tax collection

Through joint work with CPs, necessary data was collected and the condition of tax bodies and private enterprises was surveyed.

Tax bodies were interviewed on such subjects as: tax reporting; management and accounting of taxpayers; records on paid taxes; disposition of tax arrears; procedures in case of occurrence of tax arrears; operating procedures with delinquents; materials necessary to collect in case of petition to the court; and methods of conducting arrear cases. An accountant from one of the (tax-delinquent) enterprises was interviewed on the reasons for their arrears and their approach to tax officials; announcement of the tax collection system; methods of prevention of arrears by tax bodies and opinions of the delinquent enterprise concerning tax payment.

Concerning the collection of necessary materials, we asked responsible officials to provide: 1) data on the status of arrears; 2) results of analysis on arrears; 3) materials necessary to collect in case of petition to the court; and 4) relevant regulations on tax-collection processes other than the new Tax Code.

- Taxpayer services

With regard to basic issues, the term “taxpayer services” was defined during the meetings with CPs. Moreover, we discussed the inclusion of a “taxpayer services” section in the syllabus (a basic plan with a model for conducting cases was composed and recommendations on teaching materials structure were suggested).

In addition, we prepared the questionnaire and guidance on interviewing on the subject of taxpayer services. Results will be used to develop plans and improvements.

C. Visit to the faculty of re-education at the Tax Academy

On the last day of the field survey, all members of the project visited the faculty of re-education and viewed lecture rooms, the library, the student dormitory, training session slides, computers and other facilities. We received information on professional development and re-education courses such as the number of students, syllabus and processes of syllabus approval, number of hours, textbooks and other teaching materials, as well as lecture texts used by professors.

(5) 3rd work in Japan (October1-October5,2008)

Preparation for the next field survey and progress report

(6) 3rd field work in Uzbekistan (October 24–November 8, 2008)

A total of three experts were engaged during this field survey: an expert on human resource development planning (project head), an expert on tax auditing and the deputy project head.

1) Human Resource Development Planning

A. Questionnaire

Interviews were conducted among employees of tax offices, who are graduates of tax colleges and the Tax Academy, to collect their opinions and comments on the improvement of the abovementioned educational institutions’ syllabus.

The following conditions were defined during discussions with STC and it was agreed to continue working in that direction.

- Questionnaires were distributed among all (199) tax offices of the country. Upon evaluation of subordinates’ skills, heads of tax offices will provide their opinions and comments concerning training on special subjects (taxes), lectures contents and number of hours.
- Although questionnaires were distributed manually, the results will be collected through information network of STC.
- Monday, December 1, 2008 is the deadline for submission of answers.
- STC will collect the answers and transfer them to experts at the JICA Project. Translation and analysis of answers will be done by the JICA Project.

Note: Drafts of letters addressed to the heads of tax offices and questionnaires were composed by JICA experts and agreed with STC.

B. Survey of status of staff management

By interviewing the respective authorities, we surveyed the evaluation of personnel work efficiency, completeness of their files (including information on education, skills, training history), remuneration system, number of Tax College and Tax Academy graduates and the proportion of said graduates employed by the tax offices.

C. Tax College and Tax Academy survey

To clarify certain separate aspects we provided additional questions and requested supplementary documents and materials.

2) Tax audit

It was decided to consign the study of bookkeeping practices of taxpayers in Uzbekistan to an Uzbek research organization. Those interviewed were small and medium sized enterprises. JICA experts prepared the

terms of reference for this survey. Additionally, on several occasions the JICA expert and CPs discussed drafts of some of the texts for teaching materials.

A. Development of interviewing guidelines

After the selection of implementing organizations to interview taxpayers on the status of their accounting, the guidelines for conducting interviews and questionnaire content were developed.

(7) 4th work in Japan (November9-November14,2008)

Preparation for the JCC(Joint Coordination Committee)

(8) 4th field work in Uzbekistan (November 17–December 28, 2008)

1)Joint Coordination Committee

JCC was formed on December 17 to discuss a progress report and confirm its progress.

2) Seminar

A question-and-answer seminar was conducted on Japan's tax and tax-administration systems with 200 Tax Academy students, instructors, CPs and tax officials.

3) Human resource development

A questionnaire survey was conducted of tax officials who were graduates of the Tax College and Tax Academy. The results were tabulated, analyzed and examined.

We confirmed the status of materials the Personnel Department had been asked to submit, and analyzed and examined the materials. The Department indicated that more time was needed to tabulate the organization chart by age and academic history. A conference was held with STC, the College and the Academy regarding plans to improve the educational program and curriculum.

4) Tax audit, tax collection, taxpayer services

- Tax audit

The organization assigned to conduct the questionnaire survey on the status of ledgers at SMEs was determined. Guidance was provided on conducting the survey, and the questionnaire survey was immediately carried out. At the same time hearings were conducted with taxpayers who had completed such inspections previously.

Introductory-level textbooks (draft) were prepared, and meetings were held with CPs based on these textbooks to discuss the composition of the textbooks and policy for preparing textbooks in the future.

- Tax collection

Data collection continued. Hearings were conducted with taxpayers who had experienced delinquency, and details were learned of various seminars for tax collectors.

Meetings were held with CPs regarding methods of dealing with major delinquencies, records of contact between tax offices and taxpayers, and tax-collection-related seminars.

- Taxpayer services

Information on taxpayer services continued to be collected and meetings were held regarding the details of production of textbooks about taxpayer services. The organization responsible for conducting questionnaire surveys on taxpayer services were selected, and guidance was provided on conducting the surveys.

(9)5th work in Japan (February1-February16,2009)

Preparation for the next field survey

(10) 5th field work (January 16–February 7, 2009)

1) Human resource development

A tentative plan for a system of phased training based on the surveys was presented.

2) Tax audit, tax collection, taxpayer services

- Tax audit

The questionnaire surveys for accounting staff at SMEs on the status of their accounting ledgers were analyzed and examined. Based on previous survey results, proposals to improve the collection and use of information, the method of selection of tax audit target were suggested.

A basic version of the tax audit textbook was progressed with CPs. A meeting was then held regarding the upper-level version.

- Tax collection

Data collection continued. Proposals for improvements to basic tax-collection measures were presented, including keeping records of contact with taxpayers on file, establishing a call center, and measures to prevent delinquency.

- Taxpayer services

Taxpayer seminars held in Samarkand were observed. Questionnaire surveys were confirmed. Requests were issued for the preparation of textbooks on taxpayer services. Finally, a list of facilities related to taxpayer services in Uzbekistan was prepared.

Year2

(1)6th work in Japan(May 21 – May26, 2009)

Preparation for the Joint Coordination Committee meeting and 6th field survey was achieved.

(2) 6th field work in Uzbekistan (May 29 - June 20, 2009)

1)Holding Joint Coordination Committee sessions

A Joint Coordination Committee meeting was held, and progress of work and future plans were announced mainly by Counterparts (CPs) from the Uzbekistan side. The Japan-side has been active in a supportive capacity. We reached agreement to hold seminars on tax-related procedural improvements during the 8th Field Survey in Uzbekistan. Moreover, we decided upon, and set the content of, quarterly special course sessions for STC officials, conducted by experts from Japan.

2)Discussions pertaining to country focused training

We communicated approximate dates during which people from the Uzbekistan side can potentially be accepted by the Japan side (National Tax College). The Uzbekistan side was asked to consider that proposal.

3)Personnel training

Discussions with Counterparts (CPs) were held pertaining to proposals for improvements to training programs and curriculum at the Tax Academy and the Tax College. We also held discussions with CPs in charge of personnel pertaining to proposals for improvements to personnel administration in terms of staff training, course enrollment histories and performance appraisals.

4)Preparation of teaching materials

- Tax audit

The tax audit fundamentals section of the teaching materials has been revised in line with feedback from the previous field survey. We discussed plans pertaining to trial lessons using the tax auditing fundamentals teaching materials, and set the date for the trials to the time of the field survey conducted sometime after the end of the summer holidays. Preparation work has also begun on the intermediate-level tax auditing section of the teaching materials. Those in charge of the task on the Japan side have prepared the first draft of those materials, and the Uzbekistan side has been told what sections of those materials they are to complete.

- Taxpayer services

We checked on how preparation is coming along for each of the chapters of the teaching materials, and attempted to expedite preparation of those materials.

- Tax collection

We discussed the content of new teaching materials, which are to replace materials on property audits due to the differences in accounting systems of the two countries.

5)Tasks involved in tax administration operation

- Tax audit

A supplementary survey was conducted related to the selection of taxpayers for audits, measures pertaining to the use of materials and data, bolstering of supervisory and administrative tasks of STC agencies and divisions, and the relationship of the STC to coordinating agencies.

- Taxpayer services

We gained a better understanding of the content of seminars for taxpayers and the types of complaints that have been fielded, and the status of materials for taxpayers. We then looked into ways to begin making improvements. We visited two tax offices to assess the state of front office operations.

- Tax collection

We discussed proposals on specific tax-related procedural improvements. Discussions revealed that tax payment notifications act as a means of keeping track of people who neglect to pay taxes. We visited tax offices to evaluate call center operations, thus enabling us to gain a better understanding of the work involved in tax payment notification. Proposals were introduced regarding how companies can set up deposits earmarked for taxes.

(3) 7th work in Japan(July 22–July24, 2009)

Preparation for the survey of tax accounting system and textbooks

(4) 7th field work in Uzbekistan (July 28–August 12, 2009)

1) Personnel training

We discussed the suitability of graded training after recruitment, and the implementation of a recruitment exam for Tax College graduates who are applying for positions as tax officials. We also discussed subjects to be covered on Tax Academy entrance examinations.

2)Preparation of teaching materials

- Section covering tax audit fundamentals

We discussed items to be revised in the tax auditing fundamentals section of the teaching materials. We decided to include items included in executive orders that had been in effect before the Revised Tax Code was implemented. We updated the textbook layout and style, and reorganized the table of contents. In regard to the trial lessons with the textbook section on fundamentals, the Tax College requested that teaching materials be produced in the Uzbek language, rather than in Russian. Translation work on the fundamentals section has begun. As a result, although trial lessons will be held after the next field survey, agreement has already been reached on how courses will be conducted.

- Section covering intermediate-level tax audit

We reviewed previously completed textbook content, and discussed the sections to be completed by the Uzbekistan side: 1) how materials and data are used in audits, and 2) verification of adjusted tax return items.

- Section covering tax collection

Based on teaching materials from Japan, we reviewed teaching material content of the Uzbekistan side, and prepared an outline for the materials. We looked into measures to phase the teaching materials into programs at Tax College, Tax Academy and for use by tax officials.

- Taxpayer services

As with the previous field study, we pressed forward with preparation of the teaching materials, and gained a better understanding of progress being made on each chapter. Drafts of chapters 1, 2, 6, and 7 have been completed. Work on drafts of the remaining chapters is currently underway.

3)Tasks involved in tax administration operation

- Tax audit

We verified with CPs what will be presented in seminars on tax-related procedural improvements attended by senior STC officials. Specifically, the announcement will pertain to matters related to the selection of taxpayers that are subject to audits, taxpayer administration, how materials and data are used, supervisory and administrative duties of the STC, and special coordinating organizations. We also prepared a manuscript for special seminars to be held for staff at the next field survey.

- Taxpayer services

We held discussions with CPs pertaining to what will be presented at seminars on tax-related procedural improvements. We discussed ways of holding seminars for taxpayers, fostering taxpayer-related organizations, and making information available through regularly issued publications. Moreover, accompanied by experts in

the field, we gained a better understanding of the tax accountant system in Uzbekistan and the role of the profession in fostering an environment conducive to taxation. We have decided to incorporate more about the tax accountant system in teaching materials.

- Tax collection

With CPs, we worked out details of what will be presented at seminars on tax-related procedural improvements. Because we want those in the STC to better understand how the system of using deposits earmarked for taxes works, we are looking toward placing emphasis on that matter in seminar presentations.

4) The tax accountant system, and tax accountant education

The topics of the tax accountant system and tax accountant education have been added to this field survey. Legislation and ministerial orders in Uzbekistan have created a framework to govern the tax accountant system, and special programs to train tax accountants have been started. We interviewed people in Uzbekistan from the Tax Policy Division of the Ministry of Finance, the Tax Policy Division of the STC, the Chamber of Tax Consultants, companies in the country, tax accountants, and individuals doing accounting-related work. Through the interviews we pursued a better understanding of the current situation, including factors pertaining to relevant government bodies, activities of certified tax accountants, the current state of training required to get certified, registration of tax accountants, exam systems, and the work of tax accountants. We also pursued a better understanding of the rights, duties, and responsibilities of tax accountants, and penalties that apply to tax accountants. We also gained a better understanding of bookkeeping methods used by companies in Uzbekistan. We held discussions with Uzbekistan's Ministry of Finance in which we also worked out details of seminars for tax accountants, came up with a schedule for the seminars, and suggested and gained approval to hold seminars pertaining to the tax accountant system.

5) Special seminar

On August 5, 2009, in an STC lecture hall, around 100 STC staff attended the lecture titled, "Japan's Tax Administration Objectives and Implementation". The lecture also featured a question and answer session.

(5) 8th work in Japan (August 10-August 22, September 16-September 18, 2009)

Preparation for the Seminars on tax-related procedural improvements

(6) 8th field work in Uzbekistan (September 21–October 13, 2009)

1) Seminars on tax-related procedural improvements

On September 25, a team from Japan presented proposals for improving tax-related procedures in four areas: personnel training, tax auditing, taxpayer services, and tax collection. The presentation was held in an auditorium at the Tax Academy, and was attended by roughly 60 individuals including STC executives, Tax Academy professors, and Tax College professors. Some days after the presentation, those involved from Uzbekistan submitted a list of items pointed out in the presentation that they felt could be implemented, along with comments pertaining to the presentation.

2) Inspection tour of local areas

We visited the Tax College Bukhara campus with individuals in charge of personnel training, taxpayer services, and tax collections, along with the Tax College President, and the Project Manager for the Uzbekistan side. We looked into the school's selection process and entrance exams, and other issues such as what is done to raise academic proficiency of lower-level students.

3) Schedule for the Joint Coordination Committee meeting

We gained First Deputy Chairman Gadoev's approval to hold a Joint Coordination Committee meeting sometime between late November and early December. Moreover, in addition to the Tax Academy's joint sponsorship of seminars pertaining to the tax accountant system, the Ministry of Finance, JICA, and the Tax Academy will also jointly sponsor the Joint Coordination Committee meeting.

4) Schedule for country focused training

We confirmed that Japan's National Tax College can accept students in February, and notified the Uzbekistan side to that effect. We gained approval for the dates of the training program, and notified Japan's National Tax College of requests that course content include an overview of tax administration.

5) Discussions regarding seminars pertaining to the tax accountant system

We discussed particulars of seminars on the tax accountant system and reached agreement on the location, dates and times, and target audiences for the seminars.

6) Personnel training

We held discussions with CPs of personnel departments pertaining to suggestions for improvements such as the implementation of graded training.

7) Preparation of teaching materials

- Tax audit

The section of the teaching materials covering tax audit fundamentals was used in trial lessons in which Tax College instructors played the role of students. The teaching materials are now being revised based on feedback from those lessons.

- Section covering intermediate-level tax audit

The Japan side is now to prepare the draft of sections covering 1) how materials and data are used in audits, and 2) verification of adjusted tax return items. We have been provided with the materials that form the basis for that section.

- Section covering tax collection

Tax College instructors handled theoretical sections, Tax Academy instructors handled procedural sections, STC general managers brought the two sections together, and experts from Japan handled parts on tax collection in Japan. Work on these parts has been started. We have also looked into how the teaching materials can be used at varying levels of instruction.

- Taxpayer services

As with the previous field study, we pressed forward with preparation of the teaching materials, and gained a better understanding of progress being made on each chapter. Based on the teaching materials, we have drafted a proposed timeline for the trial lessons.

8) Tasks involved in tax collection

Suggestions for improving the means of tax collection were presented at seminars on tax-related procedural improvements. Based on feedback from the Uzbekistan side, we have come to a decision on matters to be dealt with during and after the next field survey, and other specific initiatives.

9) Uzbekistan's Tax accountant system

We performed a supplementary survey that mainly covered matters for which information was unavailable during the previous field survey. We have reaffirmed matters such as: types of work performed by accountants, accounting auditors, and tax accountants; the division of responsibilities of the Tax Policy Division of the Ministry of Finance and the Education Division of the STC; the content of training courses (courses other than those to develop tax accountants), and; locations of tax offices and administrative districts (in order to establish chapters of professional associations for tax accountants). We worked out details for the content and scheduling of seminars on the tax accountant system.

10) Special course sessions

On October 7, 2009, we held a special course session for STF staff on tax auditing in Japan.

(7) 9th work in Japan

(November 9-November 14, November 20-November 28, 2009, February 1-February 16, 2010)

Preparation for the Seminars on tax accounting system and Joint Coordination Committee.

Briefing the situation of Uzbekistan to National tax College of Japan

(8) 9th field work in Uzbekistan (November 24, 2009 – February 2, 2010)

1) Holding the Joint Coordination Committee session

This session was held at the Tax Academy on Dec. 4th, attended by STC executives, Tax Academy professors, Japanese experts, the Japanese Embassy's secretary, and officials from the Japan International Cooperation Agency (JICA) office. The main topics include an update on the progress and Uzbekistan side's comment on the procedural improvements proposed by the Japan side. It was later decided that the Japan side would draw up further feedback on the Uzbekistan side's comments, and experts made two requests. One request was to propose a specific plan for how to incorporate existing teaching materials into the

employee-level training. The other request was to specify operational improvements that are now implementable.

2) Hosting the Seminar on the Framework governing the tax accountant system jointly hosted by the Uzbekistan Ministry of Finance, the Tax Academy, and JICA.

This seminar was held at the Dedeman Silk Road Hotel on Dec. 10, 2009, and attended by a total of roughly 90 people from the Ministry of Finance, State Tax Committee, the Parliament, international agencies, the Japanese Embassy and JICA. The Uzbekistan side announced their hopes for Uzbekistan's framework governing the tax accountant system, while the Japan side announced improvements to the tax accountant training system and framework governing the tax accountant system.

3) Coordinating country focused training

There was a briefing at the National Tax College in Japan about the current plight of the project, and a rough draft of the application was created. In Uzbekistan, we helped select training candidates. The country focused training was held between Feb. 9 and 22, 2010.

4) Training personnel

We discussed the introduction of teaching materials on tax auditing, tax collection and taxpayer services. The Uzbekistan side is currently creating specific measures for introducing the materials in the next term's Faculty of Retraining. The materials are expected to be used at the Tax Academy and Tax College in the new school year starting September.

5) Developing teaching materials

- Tax audits

Using the basic-level teaching materials for tax auditing, we conducted trial classes with Tax College professors acting as students. Revisions were made to the materials based on comments gained from the trial lessons, then completed the teaching materials.

- Intermediate-level tax audit

A rough draft was created on joint efforts.

- Advanced-level (applied) tax auditing

We asked the Uzbekistan side to collect necessary domestic samples needed for application of tax audit knowledge and consider the layout for the materials.

- Tax collection

We developed and almost completed teaching materials on tax collection for use at the Tax Academy and for employee-level training. Based on these materials, we conducted trial classes on Jan. 29, 2010, with professors at Tax College, Tax Academy, external experts, and tax collection experts from the State Tax Committee playing the role of students.

- Taxpayer services

The materials for taxpayer services are almost completed, excluding some parts that need to be reconsidered. Trial classes were conducted for STC staff on Jan. 16, 2010.

6) Tax collection administration

The Uzbekistan side had comments on the aforementioned operational improvements seminar proposed by the Japan side. We responded to these comments with renewed answers. We asked the Uzbekistan side to specify implementable measures proposed by the Japan side and measures implementable into next term's plan. The Uzbekistan side is now considering the following measures.

- Tax Audit

Improvements to the tax auditing system based on the assumption of gaining permission from the Republican Council for Coordination of Control Bodies.

- Taxpayer services

Conducting effective seminars for taxpayers

Establishing tax week

Tracking taxpayers' questions, opinion etc, establishing a framework

- Tax collection

Establish a call center

Keeping records when contacting tax delinquents
Annual action plan for forcible tax collection

7) Framework governing the tax accountant system

We prepared for and hosting of the seminar on the framework governing the tax accountant system, and the creation of operational improvements to the framework and tax accountant training system.

Yea3

(1) 10th work in Japan (May 25 - May 27, 2010)

Preparation for the Joint Coordination Committee meeting and 10th field survey was achieved.

(2) 10th field work in Uzbekistan (May 28 - June 18, 2010)

1) Holding Joint Coordination Committee sessions

A Joint Coordination Committee meeting was held on June 8. The presentation from the Japanese side included a verification of important matters in year 3 (including completion and use of the teaching materials, implementation of country-focused training, and execution of the project completion seminar), and the presentation from the Uzbekistan side included a report on the results of country-focused training (including an overview of training in Japan and recommendations from trainees pertaining to improvements of Uzbekistan's tax regime). Recommendations of trainees in regard to Uzbekistan's tax regime included: (1) the matter of reinstating authority to enforce collection of tax delinquency; (2) promoting the development of electronic tax payment systems; (3) obtaining information related to bank accounts and foreign currency accounts; (4) unscheduled audits of delinquent companies; and (5) use of the Internet and mass communications in regard to taxpayer services. Agreement was reached to proceed with work based on the assumption that the teaching materials will be used in the new academic term beginning in September. It was reported that at least two people will be eligible to participate as trainees in country-focused training which will be held from early fall.

2) Human resource development

Discussions took place with counterparts (CPs) involving plans to introduce teaching materials to be used in the Tax Academy and Tax College, and those used for tax official education.

3) Preparation of teaching materials

- Tax Audit

The textbook of Tax Audit introductory level has been completed. Regarding the intermediate level, it was pointed out that the contents of the draft proposal would be difficult for those without practical experience. Therefore, the intermediate level was revised once again, and content that needed to accord with particulars of Uzbek laws and regulations was later revised by the Uzbek team. Discussions took place regarding preparation policies for the upper level of tax audit textbook used in tax official education.

- Taxpayer Services

Chapter 5, "Holding Taxpayer Seminars" was prepared, and new content was added to Chapter 7, "Future Directions". The items to be included in the table of contents and the structure of the materials were decided, and discussions took place regarding the use of the content upon completion of the materials.

- Tax Collection

Final editing work was performed, and the table of contents and the structure of the materials was determined. Requests were made pertaining to the preparation of a Tax College edition of the tax collection materials, and accordingly discussions took place in regard to how to go forward with those materials.

4) Administrative aspects of tax collection

- Tax Audit

Project team assessed the status of operational reforms. In regard to taxpayers affiliated with bazaars, an audit can now be performed solely by the State Tax Committee (STC) without the governmental Committee decision regarding the audit. Also, a means of selecting a diverse range of audit candidates was introduced whereby selection of those to be audited is done through a process of comparing and investigating those in the

same line of business. It is now also possible to obtain details from banks pertaining to foreign currency transactions.

- Taxpayer Services

The matter of a tax awareness week ("tax week") campaign was discussed. The tax week in Japan was used as an example, in looking at matters such as tax week implementation aims, people responsible for implementation, dates, and other details.

- Tax Collection

Details were verified pertaining to maintaining records of interactions with delinquent taxpayers. Although the idea was previously considered, a call center will not be established.

(3)11th work in Japan(June16-June24,September3-September14,October6-October13,2010)

In preparation for the 11th phase of work to be performed in Uzbekistan: the status of revisions to the intermediate level textbook of Tax Audit was verified, and advice was offered in that regard; an outline proposal for the Tax College edition of the Tax Collection materials was prepared; and, a sample PowerPoint presentation was prepared regarding teaching materials pertaining to taxpayer services. We also verified approximate dates and overall details of this academic year's country focused training. It was determined that five people will be called on in this regard.

(4)11th field work in Uzbekistan(June25-July24,September3-September14,October6-October13,2010)

1)Human resources development

Discussions covered plans to use teaching materials on a location-specific basis. The outcome of those discussions is as follows:

- Tax College

Introductory level of Tax Audit

Second year students in the Taxes and Taxation course of study will use the text in the class of "Tax Controls".

Tax Collection (Tax College edition)

All second year students will use the Tax College edition of Tax Collection in the class of "Collection of Delinquent Taxes".

Taxpayer Services

All first and second year students will use Taxpayer Services materials in the class of "Tax System Fundamentals".

- Tax Academy

Intermediate level of Tax Audit

Fourth year students will use the textbook in the class of "Carrying out Tax Audit" in the Tax Academy's Faculty of Tax and Taxation.

Tax Collection

Fourth year students will use the Tax Collection material in the class of "Estimating Taxes in the Tax Academy's Faculty of Tax and Taxation.

Taxpayer Services

Fourth year students will use the Taxpayer Services section in the class of "Tax Law Fundamentals" in the Tax Academy's Faculty of Law.

- Faculty of re-education (Tax official education)

After the teaching materials have been completed they can be incorporated into the program two weeks before the training course begins. We will look into this matter after completion of the materials.

2)Preparation of teaching materials

On July 6, the Faculty Council of the Tax Academy approved the content of teaching materials on Tax Auditing Introductory level, Taxpayer Services, and Tax Collection, and made the decision to have those materials printed.

- Tax Audit

The printing phase began after completion of the Tax Auditing introductory level was completed. The

Uzbekistan side completed revisions of the Tax Auditing intermediate level at the end of September. Those materials are now awaiting approval from the Faculty Council of the Tax Academy. Over 100 case studies have been gathered for the Tax Auditing upper level textbook, and specific case studies are now being selected for use in that section.

- Tax Collection

The Tax Collection section has been completed, and the printing phase has begun. Progress was made on preparation of the Tax College edition of the Tax Collection section. The overall outline has been determined, and work is proceeding toward completion slated for sometime around October.

- Taxpayer Services

The Taxpayer Services section has been completed, and the printing phase has begun.

3)Administrative aspects of tax collection

- Tax Audit

The Interview was achieved about that status of reforms of tax auditing matters.

- Taxpayer Services

The tax week campaign schedule was verified, a proposal was made to conduct the taxpayer seminar on the same dates as the tax week, and agreement was reached to implement a survey. A preliminary draft was prepared pertaining to how the survey should be conducted.

- Tax Collection

The Interview was achieved about that status of reforms of tax collection matters.

4)Other matters

Adjustments to country focused training

We verified that the Japan side can accept trainees in late November, and that information was conveyed to the Uzbek side. We also verified matters with the JICA office in regard to curriculum, individuals to invite, and dates of training.

(5) 12th Domestic Operations (October21-November4,December6-December8,2010)

JCC preliminary operations were undertaken in preparation for the 12th Field Survey and a PR was compiled. Preparations were also made for the country focused training to be held from 11/23 to 12/4.

(6) 12th Field work in Uzbekistan (October24-November24,2010)

1)Convening of JCC

The JCC held on 11/18 consisted of a briefing on the future plan and confirmation of text preparation progress & application. JICA requested submission of a text distribution plan.

2)Preparation for country focused training

Meetings were held with candidates for the country focused training scheduled to be held in Japan from 11/23 and assistance was provided in preparing applications etc.

3)HR development

Commencement of classes was confirmed based on distribution of texts and discussions were held on a questionnaire survey on the texts to be distributed during the 13th Field Survey.

4)Preparation of texts

- Tax Audit

Intermediate text is currently printing. The 'Tax Auditing: Applied' text(upper level text) is currently being prepared based on selected case studies but due to time constraints, the decision was made to prepare a sample set of case studies to guide future text preparation, and this task was subsequently promoted.

- Tax Collection

Bound and published editions of the 'Tax Collection' and 'Tax Collection (Tax College Edition)' texts were confirmed. The texts were then distributed to each institution and are currently in use.

- Taxpayer Services

The completed text was distributed to each institution and is now in use.

5) Tax collection

- Taxpayer Services

Advice was provided on the 'Tax Week' scheduled for January 2011, and implementation of the questionnaire survey was planned & discussed at seminars held at each tax office.

(7) 13th work in Japan (January1,2011-)

Documents for the JICA Evaluation Survey Team scheduled for late January and documents for the JCC scheduled for 2/4 were all prepared. Materials were prepared for the completion seminar scheduled for 2/17 and the project final report was drafted.

(8) 13th field work in Uzbekistan (January7-January21,January25-February22,2011)

1) Convening of JCC

The final JCC was held on 2/4 where JICA experts gave presentations on future challenges & reform measures for HR development, tax audit, tax collection, and taxpayer services.

2)Support for JICA Evaluation Survey Team

Support was provided for the JICA Evaluation Survey Team during their visit from 1/24.

3)Hosting of project completion seminar

The seminar was held on 2/17 at the Dedeman Silk Road Tashkent Hotel and attended by STC officials, Tax College & Tax Academy personnel, Ministry of Finance officials, and representatives from international agencies etc.

The Uzbekistan CPs delivered presentations on project outcomes while JICA presented measures for future improvements.

4) HR development

A questionnaire survey was conducted for each of the texts currently in use. Results were then analyzed and comments provided for future reference.

5) Preparation of texts

- Tax Audit

The 'Tax Auditing: Technical Aspects' text was bound & published and distributed to affiliated institutions, while the 'Tax Auditing: Applied' case study sample was completed.

6) Tax collection

- Taxpayer Services

The taxpayer seminar held during 'Tax Week' involved a visit to Karshi where a taxpayer questionnaire survey was conducted. The questionnaire was also conducted in other regions and the collected responses were subsequently analyzed and the results submitted.

2.2 Technical Transfer to Counterparts

- The workshop was held on the following subjects at the 1st field work in Uzbekistan.
 - (1) Tax system of Japan and organizational chart of tax bodies in Japan
 - (2) National Tax College of Japan
 - (3) Tax audit in Japan
 - (4) Tax collection in Japan
 - (5) Current condition of “taxpayer services” in Japan
- In the field of human resource development, methods for the application of questionnaire surveys were transferred.
- A question-and-answer seminar was conducted on Japan's tax and tax-administration systems with 200 Tax Academy students, instructors, CPs and tax officials.
- Seminars on tax-related procedural improvements presented ways that the tax system can be improved in Uzbekistan. The seminars, attended by STC executives, and instructors from Tax Academy and Tax College, detailed Japan's system of tax administration and technical aspects of taxation in Japan.
- Approximately 200 STC staff from Uzbekistan attended two special seminars, titled "Japan's Tax Administration Objectives and Implementation" and "Tax Auditing in Japan". Participants learned about

professional ethics as applies to tax administration and about the thinking underlying tax audits.

- We conveyed know-how on how to prepare teaching materials pertaining to tax audits, taxpayer services, and tax collection.
- We conducted trial classes on beginner-level tax auditing, taxpayer services, and tax collection, and transferred our lecture points and lecture methods.
- We conducted seminars on the framework governing the tax accountant system, and through the recommendation of operational improvements to the tax accounting field, proposed to the CP the ideal framework for Uzbekistan.
- Country-focused training was held twice in Japan to teach a total of 19 trainees consisting primarily of Uzbekistan CPs about Japan's tax administration. Upon returning to Uzbekistan, the trainees prepared a final report and submitted tax administration reform proposals reflecting their training in Japan to STC executives.
- We explained how tax week works in Japan, thereby transferring know-how that can be used to implement a tax week in Uzbekistan.
- Questionnaire surveys were conducted all over Uzbekistan to collect taxpayer opinions.
- Project completion report seminar was held to communicate the project outcomes.

2.3 Matters of particular importance (Principal visitors, events, etc.)

- One person is participating in ISTAX international training.
- Seminars are being conducted on tax-related procedural improvements.
- Experts conducted two special seminars for STC personnel. The conducted one seminar for Tax Academy students.
- We hosted a seminar on the framework governing the tax accountant system.
- The 1st country focused training held from February9 to February22 in 2010 was attended by 14 trainees. The 2nd country focused training held from November 23 to December4 in 2010 was attended by 5 trainees.
- A final evaluation study was undertaken from January24 toFebruary4 in 2011 during the Field Survey.
- Project completion report seminar was held on February17 to communicate the project outcomes.

3 Future Challenges for the Uzbekistan Tax Authority

3 Future Challenges for the Uzbekistan Tax Authority

3.1 Human Resource Development

3.1.1 Analysis & study of Uzbekistan's tax official education system

(1) Education system prior to employment as tax officials

The Tax College for general tax officials (secondary education) and the subsequent Tax Academy for executive tax officials (tertiary education) is quite an advantageous education system in that students are able to acquire a wide range of knowledge, education, expertise, and skill as tax officials over a period of 4 or 8 years.

1) Employment of Tax College graduates

The annual percentage of Tax College graduates who go on to employment as tax officials is around 10–17% (approx. 17–30% including Tax Academy graduates), which is low given that these schools are intended to train tax agency officials, and signifies that their identity as tax officer training institutes is tenuous at best.

The considerable time spent on providing internships at tax offices also appears to be somewhat inefficient from the perspective of educating presumed future tax officials. Employing graduates of the compulsory education system as tax officials without administering an entrance exam also poses a problem for the acquisition of personnel in terms of job qualification levels.

2) Employment of non-Tax College/Tax Academy graduates

Uzbekistan's tax officer employment policy focuses on Tax College and Tax Academy graduates but in practice, consideration of the Ministry of Higher and Secondary Special Education's national education administration and the issue of balancing distribution of personnel between other government ministries have meant that tax agency officials are also sourced from other general university graduates, while regional district tax offices have even employed graduates from other nearby colleges due to low applicant rates.

Uzbekistan's tax workforce is comprised of about 30% high school graduates while the remaining 70% are university graduates. However, a substantial rise in the number of employees who did not graduate from the Tax College or Tax Academy would mean that tax officials with a general level of education level are working alongside those with specialized tax training.

It is therefore essential from the perspective of human resource (HR) development to deliver post-employment tax official education based on an accurate assessment of the knowledge, qualifications, and skill levels of individual tax officers.

(2) Education system after employment as tax officials

Only 10 years have elapsed since the Tax College and Tax Academy systems were implemented, and graduates from both institutions still only account for 10% of the total current 12,230 tax officials (approx. 800 Tax College graduates & approx. 400 Tax Academy graduates).

Accordingly, any consideration of the education system both now and in the future needs to address the question of what type of education should be provided not only to Tax College and Tax Academy graduates but also other officials who constitute the majority of the tax administration workforce.

1) Capacity-building education

The content of this training addresses a number of issues each time it is implemented, such as current tax law amendments and particularly problematic work-related matters, and is therefore indispensable in ensuring that the work of the nation's tax offices is performed in an integrated and appropriate manner.

However, the 2-week training term is too short and, although the constant addition of new topics to the training improves the knowledge of participating tax officers, we believe that it is lacking in terms of improving basic individual skills such as fostering decision-making and practical abilities when faced with a new problem.

2) Re-education

The aim of re-education is to enhance the expertise of tax officials employed prior to establishment of the Tax College and Tax Academy education systems as well as officials who were employed after these systems were implemented but who graduated from other universities without a tax specialization. However, despite the fact that around 500 tax officers currently require continuing education, the number of trainees who can undertake this training is limited to 15–30 personnel per year.

3) Master's course

The master's course may or not be offered in a given year depending on the approval of Ministry of Higher and Secondary Special Education. However, one of the course's aims is to train Tax College & Tax Academy professors etc. so, in order to provide continuity in the training of highly-competent instructors, the master's course should be offered on an ongoing annual basis.

3.1.2 Education program reform measures

(1) Preparation of texts in 3 core tax areas

The stated aims of this project are to systematically organize the theory and practice of 3 core tax areas, namely 'Tax Audit', 'Tax Collection', and 'Taxpayer Services', and to create educational texts introducing Japan's current tax system and integrating practical exercises. The following texts have therefore been completed based on collaboration between the Uzbekistan Counterparts (CPs) and JICA experts.

In the first core area of **Tax Audit**, the basic and beginner level texts are entitled 'Tax Control (Audit)' while the technical and intermediate texts are named 'Tax Audit Methods'. The basic edition covers the significance, necessity, legal basis, and procedures of tax audits, as well as Japan's tax auditing methodologies and practical exercises. The technical edition addresses preliminary and formal investigations (audit planning, procedures, and characteristics by industry etc.), tax-specific auditing techniques, formulation of audit plans, preparation of audit reports, and attached materials etc.

In the second core area of **Tax Collection**, the text is entitled 'Tax Arrears & their Collection', with excerpts from key sections of the general and advanced texts explained in easy-to-understand terms in the basic and beginner editions. The general and advanced editions cover the necessity, aims, and challenges of tax collection as well as its legal basis, payment deadlines, occurrence and prevention of tax arrears, enforced tax collection proceedings, Japan's tax collection procedures, tax arrears software, and practical exercises etc.

In the third core area of **Taxpayer Services**, the text is entitled 'Taxpayer Services' (general & advanced editions) and covers the significance of taxpayer services, taxpayer administration, management of taxpayer records and consolidated tax rolls, management of taxes assessed/paid by the taxpayer, individual annual income tax returns, the tax accountant system, public relations (PR) activities and taxpayer questionnaire survey results, taxpayer seminars, and taxpayer services in Japan.

(2) Application of prepared texts

1) Target institutions

The prepared texts are to be used mainly by the Tax College, Tax Academy (bachelor's & master's courses), and in the Faculty of Re-Education's capacity-building education and continuing education programs.

2) Text objectives

The objectives of the 3 completed texts are consistent with the aims of tax administration; namely realizing the proper and fair levying of taxes, establishing the self-assessment tax system, and obtaining the trust of taxpayers. Education based on these texts is expected to contribute to HR development by improving the expert knowledge and technical skill of tax

officials.

3) Application of supplementary texts

Adopting the texts as official textbooks would require the approval of the Ministry of Higher and Secondary Special Education and involve the development of a new curriculum which would take at least a year. As such, we decided that the texts should be used in a supplementary capacity within existing curricula or in elective subjects determined independently by the STC.

(3) Plan for specific implementation of texts

Specific application of the texts was planned based on the approval of the Tax College's Teacher's Council and the Tax Academy's 'Science Committee' (Faculty Council).

For example, the basic edition of the Tax Auditing texts is to be used in the 'Tax Control (Auditing)' class for second year students in the Tax College's Taxation & Tax Collection Faculty, while the technical edition is to be used in the 'Tax Auditing Methods & Execution' class for fourth year students in the Tax Academy's bachelor's course.

Meanwhile, the basic edition of the Tax Collection text is to be used in the 'Tax Arrears Collection' class for second year students in the Tax College's Taxation & Tax Collection Faculty, and the general edition is to be used in the 'Tax Statistics and Forecasting' class for third year bachelor's course students in the Tax Academy's Taxation & Tax Collection Faculty.

Finally, the general edition of the Taxpayer Services text is to be used in the 'Tax System Fundamentals' class for first and second year students in the Tax College's Taxation & Tax Collection Faculty, while the advanced edition is to be used in the 'Tax Law Fundamentals' class for fourth year bachelor's course students in the Tax Academy's Faculty of Law. This text is also scheduled to be used at taxpayer seminars and tax attorney training courses held in 8 locations around the country for members of the public. In the future, it is anticipated that the text will also be used in the Tax Academy's master's course as well as the capacity-building and continuing education programs.

(4) Evaluation of text application results

There is a need to evaluate and validate the results of text usage to determine whether their original purpose has been adequately realized, and to identify areas for improvement.

As part of this project, we therefore decided to conduct a questionnaire survey of the professors delivering the lectures and the students taking them. The questionnaire is designed to collect the opinions of both supervising instructors and students for each text used in a class regarding: a) the students' level of comprehension of the text; b) the text's practical relevance; and c) areas for improvement.

(5) Revision of texts based on evaluation results

In the future, it is hoped that the Uzbekistan CPs will prepare better, revised editions of the texts that reflect the country's situation based on the above-mentioned questionnaire survey results by sufficiently leveraging their expertise in preparing texts acquired through the project's technology transfer.

3.1.3 HR development issues from HR management perspective

Uzbekistan's total current workforce of 12,230 tax officials is comprised of approximately 70% university graduates and approx. 30% high school graduates. University graduates can occupy executive positions of division manager or above, whereas high school graduates can only be promoted as far as section manager.

It is therefore necessary to consider the issue of whether high school graduates are qualified to work as tax officers, ways to build their capacity, and ways to enhance their sense of responsibility and motivation towards their work.

One possible strategy to achieve this would be to set up a 'special course' for high school graduates similar to the existing continuing education program, wherein trainees selected by a screening test would undergo 3–6 months of tertiary-level tax training. Outstanding tax officers suited to managerial positions would then be selected from among these trainees and given the opportunity of promotion to executive positions, thus improving their qualification as tax officials and raising their motivation.

3.2 Tax Auditing

3.1.2 Operating objectives

(1) Preparing tax auditing texts

(2) Proposal of operational reforms

3.2.2 Current situation & issues

(1) Text preparation

Neither the Tax College nor the Tax Academy has any prepared texts on tax auditing, with supervising professors using individually-prepared notes as lecture materials. It was therefore decided that an organized text covering the theory and legal ordinances of tax audits in addition to administrative procedures and technical aspects should be prepared.

(2) Tax auditing operations

1) Entities subject to auditing

Auditing and supervision are carried out by Uzbekistan's government agencies in accordance with a resolution by the Cabinet of Ministers entitled 'On State Supervision of Activities of Economic Entities'.

Furthermore, entities subject to audit etc. are limited to those approved by the Republican Council on Coordination of Activity of Controlling Bodies ('Coordination Council') established by this resolution, and are selected by the Coordination Council based on a list submitted annually by each agency. The decision-making authority to select those subject to tax audits (audit targets) therefore does not reside with the STC.

2) Gathering & use of information resources

Currently, the main sources of information used in tax audits are: a) application details of bank accounts denominated in the national currency; b) information on misconduct obtained by other government ministries; and c) information requested in response to individual matters.

There is presently no system for the organized collection of information, and even information obtained by tax officers that would be useful in taxation and collection operations is not available for use.

This is mainly because Uzbekistan's social customs and culture dictate that collected information does not constitute evidence unless the signature of relevant persons was obtained at the time, and this represents the biggest challenge to the collection of information.

3.2.3 Implementation status

(1) Preparation of tax auditing texts

1) Procedure

Based on the decision to develop organized texts on tax auditing, we prepared the following 3 text editions in a joint initiative with the Uzbekistan CPs.

a) 1st edition: 'Tax Auditing: Introductory level'

This text explains the legal system and operating rules for tax auditing as well as introducing relevant Japanese laws.

b) 2nd edition: 'Tax Auditing: Technical Aspect(Intermediate level)'

This text explains specific tax auditing procedures and methods as well as

introducing how tax auditing is handled in Japan.

c) 3rd edition: 'Tax Auditing: Case study(Advanced)

Access to numerous audit and prosecution cases undertaken by other tax inspectors is crucial to improve tax auditing techniques and skills so in the 3rd edition, we provided auditing and prosecution cases which we deemed to be useful for auditing operations.

The Uzbekistan CPs will add new cases to the 3rd edition in the future.

2) Application of prepared texts

The prepared texts are used in the Tax College and Tax Academy's 'Tax Control' and 'Tax and Taxation' curricula. The prepared texts are also stored in the libraries of each institution and are therefore widely used by professors and students even outside of classes.

(2) Proposal of operational reforms

We discussed the following measures to reform tax auditing operations with the Uzbekistan CPs based on the situation described.

1) Selection of tax audit targets

Uzbekistan's Tax Code contains a provision on the frequency of tax audits and targets must be selected in accordance with this provision. However, the increase in taxpayers has made it difficult to maintain the legally-stipulated auditing frequency.

Moreover, while the STC does not have the final decision-making authority on selection of audit targets, it does have the ability to decide matters up to preparation of the annual list submitted to the Coordinating Committee, so we discussed methods for selecting audit targets in consideration of necessity and urgency.

2) Use of information

We proposed measures to gather and utilize information by explaining that the most effective tool for selecting audit targets and conducting audits is information on specific taxpayer transactions, and by introducing measures to collect and utilize information in Japan.

3) Relationship with Coordinating Committee

The biggest problem that exists in the current relationship between the STC and Coordinating Committee is the former's inability to swiftly carry out audits at its own discretion even when there is information on misconduct.

However, this same relationship exists with other government ministries so giving preferential treatment solely to the STC would prove problematic. We therefore discussed the possibility of establishing a type of tax audit that would allow the STC to act at its own discretion only where urgent audit is required or in special cases such as cash-based transactions.

4) Status of Uzbekistan CP initiatives

The status of Uzbekistan CP initiatives in response to the above-mentioned proposals is as follows.

a) Exclusive control of taxpayers in bazaars

Transactions at bazaars are made in cash and proper taxation of many imported goods has proved difficult so, based on a series of discussions between STC and affiliated organizations, Presidential Decree No. 1257 was issued on January 8, 2010, giving STC exclusive control of taxpayers operating inside bazaars and allowing it to conduct audits of these taxpayers at its own discretion.

b) Inter-professional comparison of tax returns

The CPs decided to proactively implement comparisons of income tax returns among professionals within the same industry when selecting tax audit targets.

c) Use of foreign currency transaction data

In addition to information on bank transactions denominated in the national currency, the CPs have decided to set up a system to obtain data on foreign currency transactions to ensure

thorough monitoring and taxation of imports and exports as well as illegal transactions.

3.2.4 Future direction of tax auditing operations

Uzbekistan's Tax Code stipulates the frequency of tax audits but the recent surge in taxpayers has made it difficult to sustain this frequency.

Economic growth is predicted to increase in the future along with the number of taxpayers, which will place constraints on the number of tax audits that can be performed. Within this context, the question of which auditing policy/system to adopt and how to select audit targets in particular are significant issues that need to be addressed to ensure effective operation of future tax auditing.

It is therefore necessary to establish a basic policy to prioritize audits according to income bracket, industry, and region etc., and to investigate methods for selecting audit targets based thereupon.

3.3 Tax Collection

The objectives of tax collection are to raise the amount of taxes paid within the due date and to increase the amount of processed (i.e. collected) delinquent taxes. The attached reference 'Introduction of Tax Arrears Processing in Japan' presents some of Japan's specific measures concerning these objectives. Below is an explanation of the matters that we would like the CPs to study in particular.

3.3.1 Increasing the amount of taxes paid on time

Uzbekistan publishes tax bulletins to raise awareness in an attempt to prevent tax arrears. Taxpayers are also obliged to indicate their payment deadline when reporting to tax offices so that they are sufficiently aware of their deadline.

We would like to present the following measures to prevent tax arrears among individuals and small and medium-sized enterprises (SMEs) excluding those companies with adequate resources to meet tax payments.

(1) Bank-transfer tax payment system

1) Description

- a) Taxpayers entrust their bank to make the tax payment on their behalf by drawing on the funds in their savings account, and request the tax office to send the necessary savings account transfer payment forms to their bank.
- b) Upon receipt of this request, the tax office commissioner prepares the payment form for the amount of taxes owed and sends it to the bank.
- c) The bank that receives this form then pays the amount due from the taxpayer's savings account and issues a receipt to the taxpayer.

2) Advantages

As long as the taxpayer has adequate funds in his/her savings account, this system enables automatic payment of taxes without the taxpayer having to visit the bank or tax office. It also ensures that taxes are paid on time even if the taxpayer is busy and forgets the deadline.

(2) Tax payment reserve deposit scheme

1) Description

- a) Taxpayers who set up a reserve deposit account can determine the amount and timing of deposits to suit their individual circumstances.
- b) Interest paid on reserve deposits is set at a higher rate than standard interest and is tax exempt provided, however, that the interest is subject to income tax when the deposit is used for purposes other than paying tax.
- c) When allocating this reserve deposit to a tax payment, the taxpayer submits the payment form

and other necessary documents to the bank and entrusts it to make the payment.

2) Advantages

- a) Taxes can be even paid on the deadline without the need to prepare funds.
- b) Awareness among taxpayers to pay their taxes ('tax awareness') is raised.
- c) Combining this scheme with the bank transfer tax payment system is a perfect way to prevent tax arrears.

(3) Compulsory submission of tax certificate

1) Description

- a) Upon application from the taxpayer, the tax office commissioner prepares a tax certificate detailing the taxpayer's tax payment (including any arrears).
- b) This tax certificate must be submitted when bidding on a contract or applying for a bank loan.

2) Advantages

The certificate is a valuable indicator of the taxpayer's financial capacity and encourages timely payment of taxes.

3.3.2 Increasing the amount of processed (collected) tax arrears

Uzbekistan sends a 'tax settlement demand' to taxpayers who fail to pay their taxes by the due date. However, there is no provision on when this demand has to be sent to the taxpayer by. The supervising tax officer therefore sends payment reminders to the tax delinquent until this demand is issued. We recommend the following measures to improve the efficiency of these administrative procedures.

(1) Intensive phone-based reminders

1) Description

- a) This measure involves intensive telephone-based tax payment reminders for a certain period by the supervising collection and taxation officers.
- b) The information to be conveyed during the reminder phone call would be standardized in a manual.

2) Advantages

- a) Heavy repetition of tax payment reminders is highly effective, particularly for small amounts of arrears.
- b) It also reduces the clerical work required to prepare for court proceedings by encouraging payment of arrears before a tax settlement demand is issued.

(2) Nighttime intensive phone-based reminders

Nighttime phone call reminders are implemented for tax delinquents who are not home during the daytime.

3.3.3 Mid-long term prospects

Currently, taxpayers can only pay their taxes at a tax office or bank. Addressing this situation to make tax payments more convenient is a cardinal public service priority. The first measure listed below is predicated on the spread of an electronic tax (e-tax) filing system while the second measure would be feasible in the event of a diversified consumer economy leading to development of companies with a national network of retail stores.

(1) E-tax payments

(2) Convenience store tax payments

Reference Material:
'Introduction of Tax Arrears Processing in Japan'

1. Administrative operations

- (1) Goal setting at state tax offices
Japan's regional tax bureaus set 1-year or short-term (approx. 3 years) tax arrears processing goals for the local tax offices.
- (2) Local tax office administrative planning
 - A. Each local tax office formulates a monthly and annual plan to achieve the goals set by the regional tax bureau, taking the following items into account: the amount of arrears within the local tax office's jurisdiction; the number of tax delinquents; the number of supervising tax officers; regional characteristics; the number of workdays; and the previous year's results.
 - B. To achieve the goals of the annual plan, the section chiefs communicate the details of the plan to their subordinate tax officers including its basic concept and goal-setting rationale. The same also applies to the monthly plans.
 - C. Review of annual performance is undertaken in the 1st and 2nd terms, and the annual plan is amended or the monthly plans are adjusted accordingly. Monthly plans are also reviewed based on the same method.
- (3) Performance records prepared by supervisors
Each tax officer is required to keep a daily work log outlining the processing status of all cases they are currently supervising. The section chief assesses the work of subordinate tax officers on a daily basis and reviews each officer's performance at the end of the month, and this review is then used for their instruction, training, or encouragement.
- (4) Progress management
The section chief manages progress on both macro and micro levels by constantly assessing the progress of the annual and monthly plans as well as each tax officer's performance logs and processing of individual cases.

2. Tax arrears call center

- a) The tax arrears call center employs an automated calling system to phone tax delinquents. If the tax delinquent responds, the officer provides a payment reminder while referring to the person's details displayed on a computer screen.
- b) As a general rule, tax payment reminders target all tax delinquents.
- c) They are conducted about 1 week after the demand has been issued.
- d) In a single day, an officer will perform about 120 reminders.
- e) The call center operates from 10:00 am to 5:00 pm but due to the considerable number of individuals who are not home during the day, nighttime calling is conducted about twice a month.
- f) Tax delinquents who have trouble paying their tax arrears in a lump sum can apply to pay in installments within a period of up to 3 months. However, a follow-up phone reminder is immediately made if the tax delinquent defaults on the payments. Consequently, the rate of repayment is very high.
- g) Computer records are kept on the details of correspondence between the tax delinquent and officer (payment commitments, agreement to pay by installments etc.) so that the tax delinquent's situation can be ascertained even if the supervising officer changes.
- h) Each of Japan's 12 regional tax bureaus operates this system, targeting the tax delinquents identified by local tax offices within their respective jurisdictions.

3. Measures to build tax officer capacity & improve morale

- (1) Capacity building

Tax officers undergo the following practical training according to their experience level, with a focus on tax arrears processing tasks.

On-the-job (OTJ) training is also conducted at local tax offices on an ad hoc basis.

- a) Practical training includes regional tax bureau-operated training for newly-appointed tax officers and local tax office-operated training in administrative tax "blocks". Training officers at local tax offices also provide instruction-based training by working with tax officers on routine clerical tasks.
- b) Training for mid-level and senior tax officials is operated by the National Tax College (NTC) and regional tax bureaus according to rank.
- c) Training on specialized operations such as assessment of seized assets, litigation, and internal operations is provided for tax officers appointed to supervise these tasks.

(2) Measures to improve morale

- a) The regional tax bureaus confer commendations to newly-appointed tax officials as well as mid-level and senior officers for outstanding service in the processing of tax arrears (including difficult cases).
- b) The National Tax Agency (NTA) and regional tax bureaus also confer awards for outstanding new ideas and suggested improvements relating to administrative operations.
- c) Local tax offices achieving distinguished performance in accordance with administrative plans are recognized by the NTA Director General or the Regional Commissioner of their respective regional tax bureau.

4. Reasons for tax arrears & bolstering tax payment discipline in Japan

(1) Main reasons for tax arrears

- a) Decline in sales and deterioration in cash flow due to economic downturn
- b) Difficulty in borrowing funds due to strict bank loan criteria
- c) Using monies intended for tax payment for living expenses or loan repayments

(2) Measures to encourage timely tax payment

- a) Raising awareness through public relations (PR)
- b) Requesting tax accountants to advise their clients of payment deadlines
- c) Encouraging individuals to use the automated bank-transfer tax payment system
- d) Phone-based reminders by section chiefs in the regional tax bureau's Corporation Taxation Division to companies with a history of tax arrears
- e) Enabling payment of taxes at local convenience stores for taxpayers whose workplace is far from the local tax office or bank
- f) Implementation of an e-tax payment system for direct payments utilizing the electronic tax return filing and bank transfer systems based on prior application to the local tax office
- g) Instruction of tax payment deadline by supervising taxation officer to taxpayer upon completion of tax auditing and providing payment consultation in case of difficulty in meeting payments in addition to advising contact details of compulsory collection supervisor

5. Measures to resolve minor tax arrears cases

Local tax offices take over tax arrears cases when the call center's phone reminders fail to elicit payment. In cases involving small amounts of tax arrears, recovery procedures are suspended without appointing a supervising officer, and the following measures are undertaken.

- a) Written payment reminders are issued every 3 months

- b) Intensive tax arrears processing including payment reminders is implemented 2–4 times a year for a period of about 7–10 days while also launching initiatives targeting each district or town. Tax delinquents who are absent are subsequently targeted in nighttime phone reminders.
- c) Installment payments are admitted for tax delinquents unable to pay the entire amount in a single payment but must be completed within a period of about 3 months.
- d) Before allowing installment payments, the supervising tax officer is required to assess the tax delinquent's situation, record the details, and submit a report to his/her superior.
- e) If a tax delinquent defaults on installments, a written or telephone reminder is issued. If the delinquent still fails to pay the arrears, his/her assets are subject to seizure.

6. Tax arrears processing issues & solutions

- (1) Tax arrears cases in Japan are classified into the following 4 types: a) exceptionally large cases; b) large malicious cases; c) other malicious cases; and d) general cases, and priority in processing tax arrears is typically determined according to this order (a→d).
- (2) Problems in processing tax arrears include: a) in many cases, tax arrears have accumulated over a long period (malicious; difficult to process); b) each tax officer is responsible for a large number of cases; and c) case processing delays.
- (3) Measures to address these issues include: a) swift legal processing of arrears in a rigorous & precise manner; b) comprehensive monitoring of installment payments (legally-stipulated or otherwise); c) determination of specific policies to investigate individual cases; d) comprehensive progress management by section chiefs; e) promoting cessation of tax arrears processing (i.e. processing as non-payment deficits) in cases where arrears are deemed irrecoverable such as companies that have been shut down, discontinued, or have no assets; f) proactive application of penal provisions; and g) promoting public auctions of seized assets.

3.4 Taxpayer Services

3.4.1 Points on taxpayer services

(1) Definition of taxpayer services in Uzbekistan

The term 'taxpayer services' did not previously exist in Uzbekistan. Instead, the tax administration has achieved the necessary functions under the guise of "provision of information on tax to taxpayers".

This project defines 'taxpayer services' as follows.

"Provision of information & individual support, and consolidation of social infrastructure by tax offices to enable taxpayers to independently file tax returns and pay their taxes"

(2) Benefits of taxpayer services

The aim of taxpayer services can also be perceived as "the realization of a social system that enables taxpayers to easily obtain the information and support needed to independently file their tax returns, and that has a consolidated infrastructure including schemes to facilitate convenient payment of taxes".

This concept not only represents the true expression of a democratic tax administration based on the premise of understanding and cooperation of citizens with regards to taxes, but is also the most effective manifestation of tax administration.

(3) Tax administration environment

All nations are currently facing an increased tax administration burden due to economic expansion, diversification of transactions due to globalization etc., and greater complexity of tax laws. This burden appears set to grow amid rapid social changes such as the spread of IT in our daily lives and taxpayer awareness. It is, therefore, necessary to realize more efficient tax administration.

This context should be also taken into account when providing taxpayer services.

3.4.2 Future direction & strategy

(1) Fundamental perspectives

A certain standard of taxpayer services has already been established in Uzbekistan so they should now be enhanced based on the following perspectives.

a) Strengthening traditional policies

Existing policies on taxpayer services should be reviewed where necessary in consideration of implementation methods and taxpayer responses, and subsequently improved to make them more efficient for the tax administration and more useful to the taxpayers.

b) Implementing new measures

New measures must be implemented in response to taxpayer needs and social changes, such as provision of information via the internet and dissemination of e-tax returns.

c) Respecting taxpayer rights

The aim of taxpayer services is facilitate taxpayers' voluntary fulfillment of their tax obligation.

Adequate consideration of taxpayer rights is paramount to achieve this and obtain the taxpayer's trust. Constant attention must be paid to systems and operations for the handling of taxpayer complaints and remedy of taxpayer rights.

(2) Specific approaches

The term 'taxpayer services' is new in Uzbekistan and is therefore not widely understood. An expedient way to facilitate understanding among tax officials and taxpayers is to present

specific forms of taxpayer services. This could be achieved through the following approaches.

a) Begin with feasible measures

Taxpayer services encompass a very broad area, from legal consolidation of social infrastructure such as the tax attorney system, to individual responses to taxpayers by tax officials at tax offices. In this project we have proposed the following feasible measures:

- Aiming to host more effective seminars etc.
- Preparing to establish the tax accountant system
- Fostering taxpayer organizations
- Establishing a 'tax week'
- Enhancing provision of information through regular publications
- Developing a system to assess taxpayer questions & opinions etc.
- Efforts to disseminate & establish tax education
- Realizing an organization that is convenient for taxpayers

b) Leveraging Japan's experiences

- Many of Japan's experiences would also be useful in Uzbekistan. Measures in response to the spread of IT in particular (e-tax returns, website content etc.) should continue to be investigated for potential adoption.
- Japan also holds tax education contests for children and students, and there are many similarities in the tax education of young students. It would be wonderful if young students from both countries could share what they have learned.

c) Reforming tax official awareness

Taxpayers have the primary role in the payment of taxes and although the fulfillment of tax obligation may be a matter of course in theory, in reality it is supported by the auditing, collection, and guidance of tax agencies.

However, tax administration resources in the form of personnel and budgets are by no means unlimited. Taxpayer understanding and cooperation is therefore indispensable to process the ever-expanding workload with limited resources.

In the future, it is crucial to develop the perception among tax officials of taxpayer services as the third pillar of tax administration alongside tax audit and tax collection.

4 Contents of Developed Materials and Distribution

4 Contents of Developed Materials and Distribution

4.1 Tax Control (Tax audit introductory level)

INTRODUCTION

I. TAX CONTROL IN THE ACTIVITY OF THE BUSINESS ENTITIES AND THE ROLE OF THE TAX AUDIT IN ORGANIZING THE TAX CONTROL

- 1.1. Objective necessity in organizing the tax control
- 1.2. The forms of the tax control
- 1.3. The substance and importance of the tax audit.
- 1.4. Business entities and tax audit targets to be audited
- 1.5. Importance and specific features of the tax audit in the activities of the business entities

II. THE FORMS AND TYPES OF TAX AUDIT.

- 2.1. The forms of tax audit
- 2.2. The types of the tax audit

III. COORDINATION OF THE AUDITING OF BUSINESS ENTITIES

- 3.1. The goal and tasks of the audits coordination
- 3.2. The bodies with the authority to audit the activity of the business entities
- 3.3. Republican Council for Coordination of Control Bodies and its main tasks
- 3.4. Main principles and rules of audit of the business entity
- 3.5. Conditions for conducting the audit

IV. ORGANIZATIONAL-LEGAL GROUNDS FOR TAX AUDIT

- 4.1. The grounds for conducting tax audit
- 4.2. The periods of conducting tax audit and its frequency

V. PARTICIPANTS OF THE TAX AUDIT AND THEIR RIGHTS AND OBLIGATIONS

- 5.1. Participants of the tax audit
- 5.2. Requirements for the auditors from the tax bodies
- 5.3. Rights and obligations of the tax bodies' officials during conducting audit
- 5.4. Rights and obligations of the business entities being audited
- 5.5. Audit registration book and the rules of making records to the book

VI. THE ORDER OF AUDITING THE ACTIVITY OF BUSINESS ENTITIES

- 6.1. The order of the audit of the financial-economic activity of the legal entities
- 6.2. The order of audit of the activity of the individual entrepreneurs

Test questions to evaluate the gained knowledge

Main notions related to the tax audit and their description

Reference Books

4.2 Tax Audit Methods (Tax audit intermediate level)

Introduction

I. PREPARATION FOR CONDUCTING AUDIT

- 1.1. The method of selection of the business entity to conduct tax audit
- 1.2. Audit preparation processes, and measures undertaken in the framework of these processes
- 1.3. Examining the financial and tax reports submitted by the taxpayers and analyzing the situation related to the tax and obligatory payment arrears.
- 1.4. Collecting and analyzing the information on the business entity being audited from the relevant bodies and organizations
- 1.5. Studying the results of the previously conducted audit on the business entities, which are planned to be audited.
- 1.6. The order of determining the composition of the tax auditors and in the case of necessity inviting the specialists
- 1.7. The rules for drafting program for conducting the audit and its approval

II. CARRYING OUT AUDIT AT THE SITES

- 2.1. The initial works to be performed at the beginning of the tax audit
- 2.2. The methods applied during the process of the tax audit
- 2.3. Verification of the property at the process of tax audit
- 2.4. Audit of the cash register and cash operations
- 2.5. Specific features of auditing the structure of the cost of manufactured goods and service
- 2.6. Order of carrying out short term audit
- 2.7. Specific features of the audit by the activity fields of the business entities

III. AUDITING THE PAYMENTS TO THE BUDGET AND OFF-THE BUDGET SPECIAL FOUNDATIONS

- 3.1. Auditing the payment of the taxes by the business entities to the budget
- 3.2. Auditing the process of calculation of income tax
- 3.3. Audit of the value added tax
- 3.4. Audit of the excise tax
- 3.5. Audit of the payment to the budget of the income tax by the individuals
- 3.6. Audit of the property and resources taxes
- 3.7. Audit of the taxes paid in the simplified taxation order
- 3.8. Audit of the payments to the Special Foundations

IV. THE CONCLUSION AND RESULTS OF THE AUDIT

- 4.1. Completion of the tax audit and compiling the tax audit report
- 4.2. Registering the results of the tax audit
- 4.3. Documents to be annexed to the tax audit report

4.3 Delinquent Tax and its Collection (Tax Collection)

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1. Objectives, tasks and necessity of the special training course “Delinquent tax and its collection”
2. Legal basis of the state tax authorities in the collection of the taxes
3. The role of the state tax authorities in the collection of taxes
4. Period and procedure of taxes and obligatory payments
5. The reasons of emergence of the delinquent taxes from the business entities
6. The order of compulsory collection of the delinquent taxes from business entities
7. Collection of the debt on the taxes imposed on the individuals
8. Experience of Japan in collection of the delinquent tax
9. Software on calculation of the debt and other obligatory payments of the legal entities

4.4 Reduction of Delinquent Taxes (Tax Collection Tax College Version)

Contents

1. Objectives, tasks and necessity of the special training course “Reduction of delinquent tax”
2. Legal basis of the state tax authorities in the collection of the taxes
3. The role of the state tax authorities in the collection of taxes
4. Period and procedure of taxes and obligatory payments
5. The reasons of emergence of the delinquent taxes from the business entities
6. The order of compulsory collection of the delinquent taxes from business entities
7. Collection of the debt on the taxes imposed on the individuals
8. Software on calculation of the debt and other obligatory payments of the legal entities

4.5 Taxpayer Service

Contents

Introduction

1. Taxpayer service in Uzbekistan and taxation system development stage
2. Taxpayers’ registration and fixed tax roll maintenance
3. Record keeping for calculated and paid by taxpayers taxes at tax authorities
4. Declaring total annual income of individuals
5. Tax consulting service organization and development in Uzbekistan
6. Tax promotion and results of questionnaire survey made among taxpayers
7. Japanese practice in the area of taxpayer services

List of bibliography used

List of Developed Materials and their Distribution

Table 4.1 Tax Control(Tax Audit Introductory Level)

No	Organization	Amount
1	Tax Academy	100
2	Tashkent Tax College	100
3	Bukhara Tax College	75
4	Fergana Tax College	75
5	STC	20
6	Banking and Financial Academy	10
7	Tashkent State University of Economics	25
8	Tashkent Financial Institute	25
	Total	430

Table 4.2 The Methods of Tax Audit(Tax Audit Intermediate level)

No	Organization	Amount
1	STC	20
2	Tax Academy	50
3	Banking and Financial Academy	20
4	Tashkent State University of Economics	50
5	Tashkent Financial Institute	50
6	Tashkent Tax College	60
7	Bukhara Tax College	60
8	Fergana Tax College	60
9	Tax Bureau in Republic of Karakalpakstan, Tashkent City and other provinces	70
10	The Central Library and the authors	60
	Total	500

Table 4.3 Delinquent Tax and its Collection (Tax Collection)

No	Organization	Amount
1	Tax Academy	100
2	Banking and Financial Academy	25

3	Tashkent Financial Institute	75
4	Tashkent State University of Economics	75
5	Academy of State and Social Construction under the President of Uzbekistan	20
6	Karshi Engineering - Economic Institute	25
7	Namangan Engineering - Economic Institute	25
8	Andijan Engineering - Economic Institute	25
9	Samarkand Institute of Economy and Service	25
10	Andijan State University	20
11	Bukhara State University	20
12	Fergana State University	20
13	Gulistan State University	20
14	University of World Economy and Diplomacy	20
15	Namangan State University	20
16	National University of Uzbekistan	20
17	Karshi State University	20
18	Karakalpak State University	20
19	Samarkand State University	20
20	Termez State University	20
21	Urgench State University	20
22	STC	20
23	Tax Bureau in Republic of Karakalpakstan, Tashkent City and other provinces	140
24	The Central Library and the authors	100
	Total	895

Table 4.4 Reduction of Delinquent Taxes(For Colleges)

No	Organization	Amount
1	Tashkent Tax College	150
2	Bukhara Tax College	150
3	Fergana Tax College	150
4	Authors	50
	Total	500

Table 4.5 Taxpayer Services

No	Organization	Amount
1	STC	20
2	Academy of State and Social Construction under the President of RUz	25
3	Tax Academy	100
4	Banking and Financial Academy	25
5	Tashkent State University of Economics	25
6	Tashkent Financial Institute	25
7	Tashkent Tax College	100
8	Bukhara Tax College	75
9	Fergana Tax College	75
10	Tax Bureau in Republic of Karakalpakstan, Tashkent City and other provinces	140
11	The Central Library and the authors	70
	Total	680