

STATE TAX COMMITTEE

No.

THE REPUBLIC OF UZBEKISTAN

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

PROJECT COMPLETION REPORT

MARCH 2011

JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

INSTITUTE FOR FINANCIAL AFFAIRS, INC.

PPD

JR

11-010

Currency Exchange Rate:

As of February 2011

1US\$ = 1664.52UZS

Contents

1	Project Outline and Outcomes	1-1
1.1	Project Background	1-1
1.2	Project Aims.....	1-1
1.3	Project Duration	1-1
1.4	Project Formation.....	1-1
1.5	Project Outcomes	1-1
2	Administrative Results and Methods.....	2-1
2.1	Project Work Flow Summary.....	2-1
2.2	Technical Transfer to Counterparts	2-13
2.3	Matters of Particular Importance.....	2-14
2.4	Work Flow Chart.....	2-15
3	Project Inputs	3-1
4	Work Record of Dispatched Experts	4-1
5	Workshops and Seminars.....	5-1
6	Country-Focused Training	6-1
7	Joint Coordination Committee Outline.....	7-1
8	Lessons from Project Implementation	8-1
9	Future Challenges for the Uzbekistan Tax Authority	9-1
9.1	Human Resource Development.....	9-1
9.1.1	Introduction	9-1
9.1.2	Uzbekistan's Current Tax Official Education System	9-1
9.1.3	Human Resource Management Current State of Affairs	9-10
9.1.4	Analysis & Examination of Uzbekistan's Tax Official Education System	9-11
9.1.5	Curriculum Improvement Recommendations	9-13
9.1.6	Human Resource Development Issues from the Perspective of HR Management.....	9-20
9.2	Tax Auditing	9-21
9.2.1	Operating Objectives	9-21
9.2.2	Current Situation and Problems	9-21
9.2.3	Implementing Operations	9-22
9.2.4	Future Course of Audit Procedure.....	9-25
9.3	Tax Collection.....	9-28
9.3.1	Current Situation	9-28
9.3.2	Issues to be Examined	9-29
9.3.3	Medium and Long-term Perspectives.....	9-32
9.4	Taxpayer Services	9-37
9.4.1	Key Issues of Taxpayers' Services	9-37

9.4.2 Future Direction	9-39
9.4.3 Proposals for Specific Measures	9-40
10 PDM	10-1

Appendix

Summary of Developed Materials

Tax Control (Tax Auditing, Introductory Level).....	A-1
Tax Audit Methods (Tax Auditing, Intermediate Level)	A-14
Delinquent Tax and Its Collection (Tax Collection)	A-27
Reduction of Delinquent Taxes (Tax Collection, College Version)	A-41
Taxpayer Services	A-45

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

1 Project Outline and Outcomes

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

2 Administrative Results and Methods

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

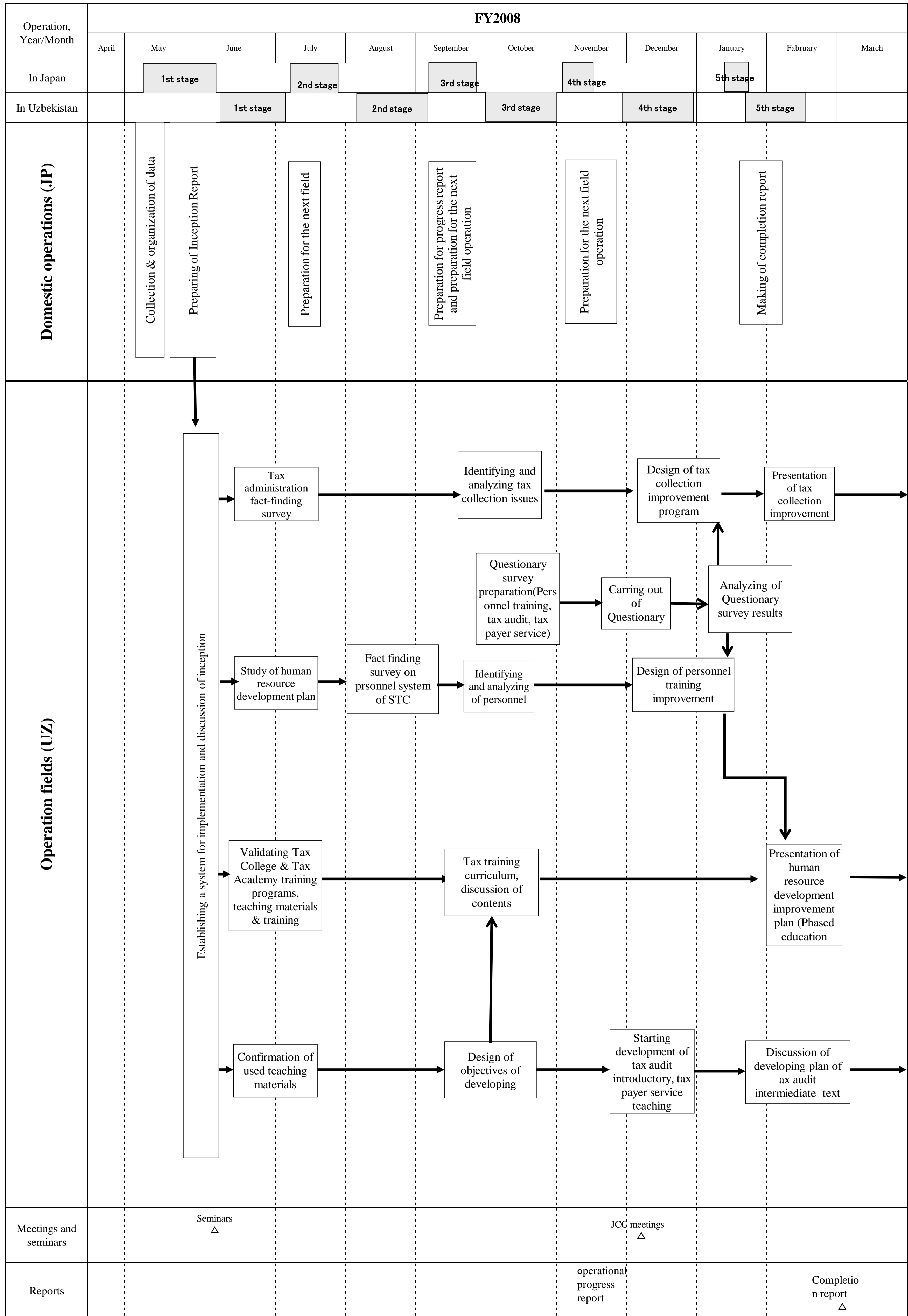
professional ethics as applies to tax administration and about the thinking underlying tax audits.

- 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.

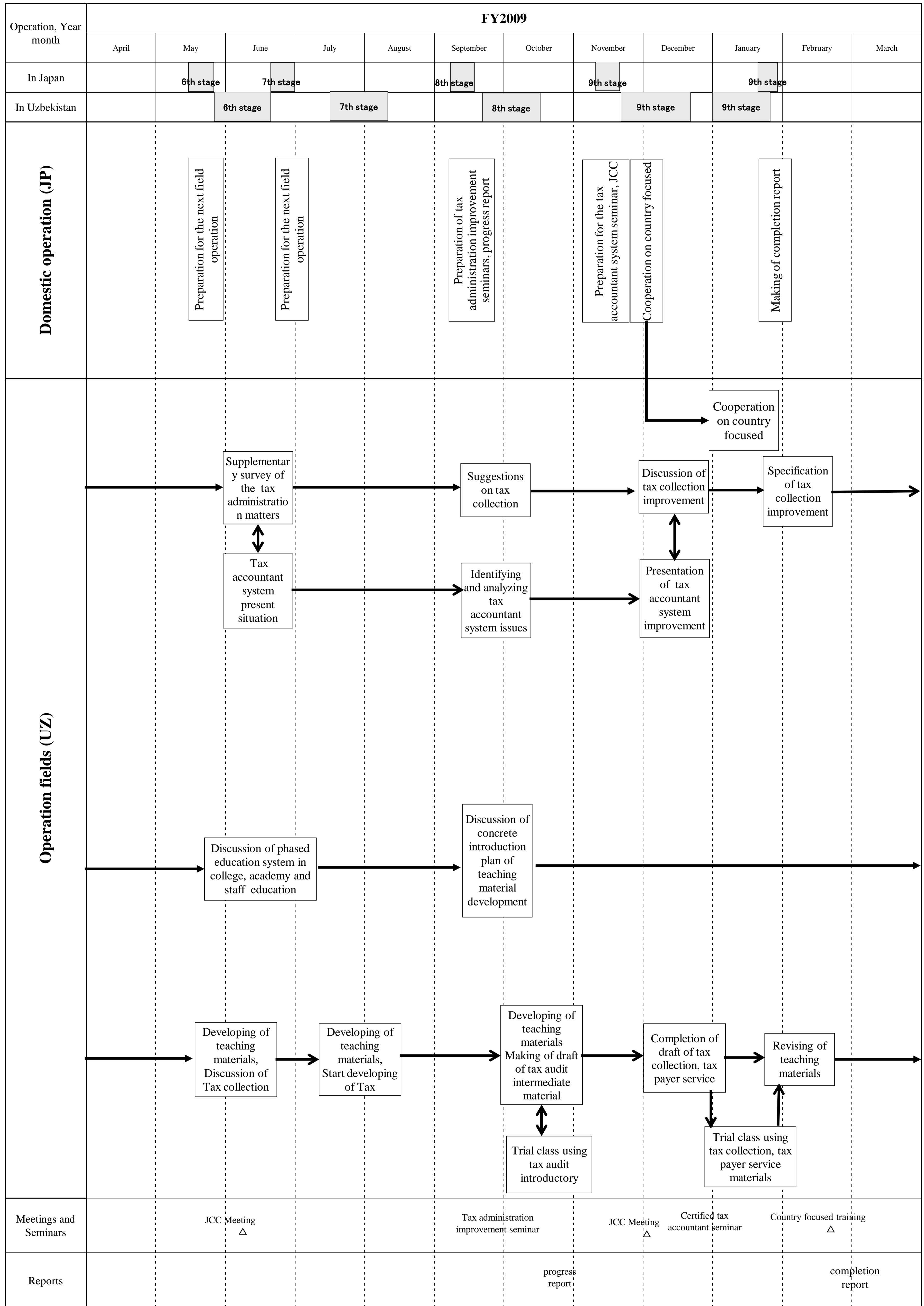
2.3 Matters of particular importance (Principal visitors, events, etc.)

- 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.

2.4 Work Flow Chart



Work Flow Chart



Work Flow Chart

Operation, Year month	FY2010											
	April	May	June	July	August	September	October	November	December	January	February	March
In Japan		10th stage	11th stage				12th stage				13th stage	
In Uzbekistan			10th stage	11th stage		11th		12th stage				13th stage
Domestic operations (JP)		Preparation for the next field operation	Preparation for the next field				Cooperation on country focused training Preparation for progress report				Preparation for seminars and JCC Meeting Finalaizeng completion report	
Operation Fields (UZ)		Confirmation of introduction of tax administration improvement situation	Advice on tax collection duties				Advice on tax collection improvement measure(Tax Week)			Advice on tax collection duties improvement (Carring out of Tax		Organization and holding a Seminar, dedicated at project results
		Confirmation of introduction plan for College and	Discussion of introduction plan of re-education				Start practical use of teaching materials			Carring out of Questionary survey on conditions of practical use of teaching materials		
		Completion of Tax inquiry teaching material Discussion of developing Tax collection teaching material for	Completion of Tax collection, Tax payer service teaching materials				Completion of Tax audit intermediate level, Tax collection teaching					
Meetings and seminars		JCC Meeting △					JCC Meeting △	Country specific training		Final evaluation survey	JCC Meeting Final seminar △	
Reports							operational progress report				Completion report △	

3 Project Inputs

3 Project Inputs

(1) Input of Uzbekistan Side

Counterpart Organization : State Tax Committee(STC)

Table 3 . 1 Member List of JCC

Name	Position	Belonging
Mr.Erkin Gadoev	Project Director	STC Deputy Chairman
Mr. Safarbay Achilov	Project Manager (Till July,2009)	Tax Academy Vice Rector
Mr.Anvar Juraev	Project Manager (Successor of Mr.Achirov)	Tax Academy Instructor
Mr.Bozor Tuhliev	Project Manager (Successor of Mr.Juraev)	Tax Academy Vice Rector
Mr. Telman Tadjibaev	Member (Until October,2009)	STC
Mr.Ziyod Kurbanov	Member	Tax College Rector

Table 3 . 2 Member List of CPs

Name	Department	Position	Field as a cp
STC			
Mr. Telman Tadjibaev (Until Oct 2009, No successor is appointed)	Personnel department	Director	Human resource development
Mr. Abdihoviz Tangirkulov(Until Sept 2010, No successor is appointed)	Operating analysis of tax revenues department	Director	Tax collection
Mr.Aziz Tagaev (Until September 2010)	Documentary tax audit department	Vice director	Tax audit
Mr. Davron Babadjanov (Successor of above)	Documentary tax audit department	Chief Inspector	
Mr.Sodiq Boymurodov	Improving Methodology of Taxation Department	Chief Inspector	Taxpayer service
Tax Academy			
Mr. Shuhrat Tashmatov		Lecturer	Human resource development
Mr.Ilhom Norkuziev			Tax collection
Mr. Komil Hotamov			Tax audit

Mr. Ganisher Ruziev			Tax audit
Mr. Anvar Juraev			Taxpayer service
Tax College			
Mr. Ziyod Kurbanov		Rector	Human resource development
Mr. Nurulla Rozikov		Lecturer	Tax collection
Mr. Gafforov Shukhrat (Until Dec 2009, No successor is appointed)			Taxpayer Service

• **Provision of services**

- Providing office space to JICA experts
- One pc and printer

(2) **Input of Japanese Side**

- Short term experts

**Table 3.3 Timetable for dispatch of onsite specialists from Japan
(including interpreters; not including periods spent self-supported)**

Name	Belonging	Field	Year 1 (MM)	Year 2	Year 3	Total
Mr. Yoshinobu Watabe	Institute for Financial Affairs, INC.	Leader	2.37	2.1	1.7	6.17
Mr. Kenichiro Iwashita	Institute for Financial Affairs, INC.	Deputy Leader	2.43	1.7	1.7	5.83
Mr. Heizo Koike	Institute for Financial Affairs, INC.	Taxpayer service	2.03	2.57	2.1	6.7
Mr. Fumio Hashimoto	Institute for Financial Affairs, INC.	Tax audit	2.80	2.4	2.4	7.6
Mr. Akehiko Homma	Institute for Financial Affairs, INC.	Tax collection	2.17	2.33	2.1	6.6
MR. Takashi Okuda	PM Consulting Corporation	Tax accountant system		1.4		1.4
Mr. Seimei Wada	PM Consulting Corporation	Tax accountant education system		1.0		1.0
Mr. Kazuya Horiguchi	Takachiho University	Taxation and tax	0.23			0.23

		administration system				
Mr.Kholmanove.Azam	Hitotsubashi University Graduate School	Interpreter	1.9	2.57	1.87	6.34
Ms.Kan Victoria	Hitotsubashi University Graduate School	Interpreter	0.53	0.43	0.53	1.49
Mr.Ortiqov Umid	Hitotsubashi University Graduate School	Interpreter		0.4		0.4
Ms.GarnovaNadejda	Hitotsubashi University Graduate School	Interpreter	0.57			0.57
Total (except Interpreters)			17.23	13.5	10 • 0	40.78

Materials and equipment

- Seminar venue fee
- Materials creation fee
- One copy machine

Two times of country-focused training for Uzbekistan Cps

List of Developed Materials and their Distribution

Table 3.4 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 3.5 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 3.6 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 3.7 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 3.8 Taxpayer Service

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

4 Work Record of Dispatched Experts

4 Work Record of Dispatched Experts

Leader : Yoshinobu Watabe

Dispatch Period	Summary of Operations
6/17 - 7/2, 2008	<p>Held a briefing & discussion on the Inception Report (IR) and agreed on work details. Interviews were held with 3 private sector companies on their tax payment status, and visits were made to the Tax College & Tax Academy to conduct a survey on current conditions.</p> <p>At a technology transfer seminar, presented a lecture entitled 'Outline of Japan's Tax System & Tax Agency Organization'.</p>
8/13~9/3, 2008	<p>Counterparts (CPs) were determined and a human resource (HR) development survey policy was discussed. Continuing on from the previous field survey, we conducted fact-finding surveys on Uzbekistan's tax administration, taxpayers, and tax offices. We carried out interviews on the Tax College & Tax Academy's education systems as well as the continuing education system for tax officials.</p>
10/24~11/8, 2008	<p>Conducted a questionnaire survey of Tax College & Tax Academy graduates and an interview on STC personnel relations.</p>
11/24~12/2, 2008	<p>Compiled the results of the questionnaire conducted in the previous survey.</p>
12/16~12/28, 2008	<p>We convened the 2nd Joint Coordination Committee (JCC) and confirmed progress to date. We held a Q&A session targeting Tax College & Tax Academy personnel and STC officials. Results of the questionnaire survey were analyzed, issues were examined, and a discussion was held with STC executives.</p>
5/29~6/9, 2009	<p>We held the 3rd JCC and agreed on the annual plan. Measures to reform personnel & education programs were also discussed.</p>
7/28~8/8, 2009	<p>Discussed the merits of adopting phased education programs and the state of the STC recruitment exam.</p> <p>On August 5 gave the "Present condition of Japanese tax administration targets and performance" lecture with answers to the questions in the object of 100 persons STC staff in STC lecture hall.</p>
9/21~10/3, 2009	<p>We hosted an operational reform seminar and presented HR development reform measures. We also visited the Bukhara Tax College.</p>
10/23~11/4, 2009	<p>We discussed the introduction of phased education programs with affiliates and STC executives.</p>

11/27~12/9, 2009	We convened the 4th JCC and discussed the specific adoption of education programs and operating reform initiatives.
5/28~6/9, 2010	We held the 5th JCC and identified key issues for the current year. We also discussed adopted operating reforms, when usage of the texts would commence, and details of the education programs.
6/25~7/9, 2010	Discussed a plan for implementing the texts and reached an agreement on the Tax College & Tax Academy.
10/25~11/9, 2010	We held the 6th JCC where we confirmed current text usage, matters pertaining to tax officers, and a future schedule.
2/1~2/8, 2011	Convened the 7th JCC and made presentations on HR development challenges and future reform measures.

Deputy-leader: Kenichiro Iwashita

Dispatch Period	Summary of Operations
6/10~6/28, 2008	Project team held a briefing & discussion on the Inception Report (IR) and agreed on work details. Iwashita coordinated selection of JCC members and CPs in each of the 4 fields. In addition, selected and interviewed private sector companies.
7/21~7/26, 2008	Discussed the CP appointments and decided on the 12 CPs.
8/15~8/23, 2008	Together with other experts, selected and interviewed 3 private-sector firms in a taxpayer survey.
10/28~11/8, 2008	Prepared specifications and TOR for questionnaire surveys on 1) taxpayer services and 2) tax auditing, and drafted a survey subcontractor list.
12/12~12/20, 2008	We held the 2nd Joint Coordinating Committee (JCC) and confirmed the progress to date. Selection of the questionnaire survey subcontractor which subsequently undertook the surveys was achieved.
1/30~2/7, 2009	Attended briefings for the above 2 questionnaire surveys.
3/3~3/12, 2009	Recommissioned the surveys for unobtained data and conducted supplementary surveys in each field. Discussed the plan for the following fiscal year (FY) with the Uzbekistan STC executives and proposed that an operational reform seminar be held in the next FY.
6/2~6/12, 2009	We convened the 3rd JCC and decided on a schedule for the operational reform seminar. Discussed the plan for the country focused training slated for the current FY. Discussion was also held on providing assistance in the field of Uzbekistan's tax accountant system as part of

	taxpayer services.
7/28~8/5, 2009	Initiated a survey on the tax accountant system and established a future operating plan with the Ministry of Finance which oversees this system.
9/22~9/30, 2009	Participated in the operational reform seminar, coordinated both the country-focused training and 4th JCC, and decided upon the Tax Accountant Seminar date & venue.
11/16~11/21, 2009	Preparations for the 4th JCC & tax accountant system seminar.
12/1~12/11, 2009	Assisted in the selection of country-focused training candidates and hosted the tax accountant system seminar.
1/26~1/30, 2010	Discussed the next FY plan with the STC executives.
6/1~6/12, 2010	We held the 5th JCC where agreement was reached on the current FY plan and key issues were identified.
7/9~7/14, 2010	Assisted in preparing the texts and specified the subjects in which they would be used.
10/6~10/13, 2010	Coordinated the country focused training.
11/15~11/20, 2010	We convened the 6th JCC, confirmed the status of text usage & operating reforms, and explained the operating guideline for the country-focused training.
1/15~1/19, 2011	Prepared the 7th JCC & Final Report (FR) Seminar and provided assistance to the Final Evaluation Team.
1/28~2/5, 2011	Participated in concluding the minutes of the Final Evaluation Team, convened the 7th JCC, and prepared the FR seminar.
2/15~2/22, 2012	We hosted the FR seminar, managed the proceedings, and delivered a presentation on HR development.

Taxpayer service: Koike Heizo

Dispatch Period	Summary of Operations
6/17~7/2, 2008	Held a briefing & discussion on the Inception Report (IR) and agreed on work details. Interviews were held with 3 private sector companies on their tax payment status, and visits were made to the Tax College & Tax Academy to conduct a survey on current conditions. At a technology transfer seminar, presented a lecture entitled 'Taxpayer service in Japan'.
8/13~9/3, 2008	CPs were determined and taxpayer service survey policy was discussed. Carrying on from the previous field survey, together with other experts conducted fact-finding surveys on tax administration, taxpayers, and tax

	offices.
12/9~12/24, 2008	Participated in Joint Coordination Committee (JCC). Successively gathering the information regarding the Taxpayer service, we discussed the details of the Taxpayer service teaching material development and carried forward developing the teaching material. Also, made a decision on a performance period of questionnaire survey regarding the Taxpayer service and provided guidance of survey performance.
1/16~1/27, 2009	Made an observation of seminar oriented towards taxpayers in Samarkand. The confirmation of the questionnaire survey was made. Development of the Taxpayer service teaching material has advanced. Also created a list of taxpayer service facilities in Uzbekistan.
6/2~6/20, 2009	Participated in Joint Coordinating Committee (JCC). Checked the progress of teaching materials for each equivalent chapter, and facilitate the creation. We examined the reform tactics grasping the Taxpayer seminars, content of previous complaints discussion and current situation of data for taxpayers. Visited two tax offices and surveyed windows.
7/28~8/8, 2009	Continued developing of teaching materials as before, and grasped progress of each chapter. We have completed the creation of Chapters 1, 2, 6, 7. Discussed with CP presentation content of operational reform seminar.
9/21~10/7, 2009	We hosted an operational reform seminar and presented Taxpayer service development reform measures. Also visited the Bukhara Tax College.
12/1~12/16, 2009	Participated in 4 th JCC. Teaching material draft is almost finished except for some parts to be considered. Participated in Tax accountant system seminar.
1/11~1/23, 2010	Project team responded to additional questions on proposed reform measures at the operational reform seminar. Conducted trial classes for STC staff on January 16, 2010 and discussed trial classes' results.
6/4~6/18, 2010	Participated in 5 th JCC. Regarding the teaching materials we have developed Chapter 5 "Methods of seminar for Taxpayers", made corrections in Chapter 7 "Future Directions". We decided the Contents, structure and discussed after completion use. Discussed the introduction of Tax week objects, executives, timing, content based on Japan's examples.
7/9~7/23, 2010	Completed developing of teaching materials. We have confirmed the schedule of Tax week and suggested to hold Taxpayer seminar at the

	same time. We agreed to implement questionnaire survey. We have prepared implementation methods draft of the survey.
11/9~11/24, 2010	Participated in 6 th JCC. We discussed and planned suggestions regarding Tax week, conducted in January 2011, and questionnaire survey carried out in each tax office.
1/7~1/22, 2011	Visited Karshi for the Taxpayer seminar, conducted during Tax week and implemented questionnaire survey. The survey had carried out in other places, and submitted the summary of taxpayer's opinions and analysis results.
2/14~2/19, 2011	Participated in the FR seminar and gave a presentation on the direction of improvements to Uzbekistan's taxpayer services.

Tax audit: Fumio Hashimoto

Dispatch Period	Summary of Operations
6/17~7/2, 2008	Held a briefing & discussion on the Inception Report (IR) and agreed on work details. Interviews were held with 3 private sector companies on their tax payment status, and visits were made to the Tax College & Tax Academy to conduct a survey on current conditions. At a technology transfer seminar, presented a lecture entitled 'Taxpayer service in Japan'.
8/13~9/3, 2008	CPs were determined and the tax audit survey policy was discussed. Carrying on from the previous field survey, conducted fact-finding surveys on tax administration, taxpayers, and tax offices.
10/24~11/8, 2008	Regarding the tax audit we have examined the survey objects, questions content of the questionnaire survey, conducted by entrusted external organization for taxpayers and related to Registry situation.
12/9~12/24, 2008	Participated in the 2nd JCC, conducted the questionnaire survey, and discussed the text preparation policy.
1/20~2/7, 2009	We have carried out the analysis and investigation of Registry Situation questionnaire survey for small business accountants. Presented reform program for selection of Tax audit candidates, based on past survey results, gathering and practical use of data. Developed tax audit introductory level text with CP.
6/2~6/20, 2009	Participated in 3 rd JCC. Made correction of tax audit text based on past fact-finding survey. We discussed the methods of trial classes as a practical use of the introductory level text.

7/31~8/12, 2009	We conducted discussion of tax audit introductory text correction points. Regarding intermediate level text, we discussed about the content of existing developed part and practical use situation of documental information that being Uzbekistan side's development point, and development of tax report adjustment matters confirmation part. We confirmed the content of operational reform seminar presentations for STC executives.
9/28~10/13, 2009	Delivered a presentation on tax auditing reform measures at the operational reform seminar. We implemented the trial class using the tax audit introductory level text for professors of Tax College as a trainee. Conducted special lecture regarding the Japan's Tax Audit for STC staff on October 7. Conducted Q&A symposium for Tax Academy students on October 12, and gave answers regarding Japan's Tax Audit.
11/30~12/12, 2009	Participated in 4 th JCC. We entered developing the tax audit intermediate level text and prepared the draft. Participated in tax accountant seminar.
1/22~2/2, 2010	Gave the answers to additional questions regarding the reform program on operational reform seminar.
5/28~6/11, 2010	Participated in 5 th JCC. We completed developing the tax audit introductory level text. We have revised tax audit intermediate level text draft because we have pointed to some parts that are difficult in understanding for inexperienced persons.
7/9~7/23, 2010	Made corrections to the tax audit intermediate level text.
9/3~9/15, 2010	Compiled case studies for the tax audit upper level text.
11/5~11/20, 2010	Prepared the sample tax audit upper level text.
1/25~2/5, 2011	Participated in the 7 th JCC. We have implemented development procedure of tax audit upper level text (sample).
2/14~2/19, 2011	Participated in the FR seminar and gave a presentation on the direction of improvements to Uzbekistan's tax audit.

Tax collection: Akehiko Homma

Dispatch Period	Summary of Operations
6/17~7/2, 2008	Held a briefing & discussion on the Inception Report (IR) and agreed on work details. Interviews were held with 3 private sector companies on their tax payment status, and visits were made to the Tax College & Tax Academy to conduct a survey on current conditions. At a technology transfer seminar, presented a lecture entitled 'Tax

	Collection in Japan'.
8/13~9/3, 2008	CPs were determined and the tax collection survey policy was discussed. Carrying on from the previous field survey, we conducted fact-finding surveys on tax administration, taxpayers, and tax offices.
12/9~12/24, 2008	Participated in 2 nd JCC. In succession we have obtained the data. Conducted interviews with delinquent taxpayers and grasped the content of various seminars for tax collection responsible parties. Also, we have discussed with CP regarding workaround with large amount of delinquency, record of delinquents contact with tax authorities, tax collection seminars.
1/20~2/4, 2009	In succession we have obtained the data. Have presented a proposal for improvements in delinquency preventive measures regarding record keeping of contact with taxpayers, establishment of call center as basic approach of tax collection operation.
6/2~6/20, 2009	Participated in 3 rd JCC. We have discussed on the contents of teaching materials in lieu of originally scheduled property survey teaching material because of the institutional differences between the two countries.
7/31~8/12, 2009	Based on Japan's teaching materials we have examined content of Uzbekistan tax collection teaching materials and developed the teaching material structure. We have examined a step by step practical use of the teaching materials (College, Academy staff). We with CP fitted by rubbing together the operational reform seminar presentations.
9/21~10/3, 2009	Made the presentation regarding the tax collection field on operational reform seminar. Regarding the teaching materials Tax College professors make Theory, Tax Academy professors make procedures, STC department head make general conclusion, on the other hand Japanese experts are in charge of Japan's tax collection and proceeded the work. Also we have examined practical use of this teaching material by level difference We also visited the Bukhara Tax College.
11/30~12/12, 2009	Participated in 4 th JCC. Also participated in tax accountant seminar.
1/22~2/2, 2010	Promoting the utilization of teaching materials for Tax Academy and staff training, the draft was almost completed. We implemented the trial classes for professors of Tax College and Tax Academy, outside experts, tax collection experts of STC on the base of the teaching materials.

5/28 ~6/11, 2010	Participated in 5 th JCC. We implemented final compilation procedures and decided the contents structure. We had a request on college edition of tax collection teaching material and have discussed the way of proceeding.
6/25~7/9, 2010	Have completed the tax collection teaching material.
11/5~11/20, 2010	Participated in 6 th JCC. We have completed the college edition of tax collection teaching material.
2/1~2/19, 2011	Participated in the FR seminar and gave a presentation on the direction of improvements to Uzbekistan's tax collection.

Tax accountant system: Takashi Okuda

Dispatch Period	Summary of Operations
7/31~8/12, 2009	Obtained the legislations and ministerial orders regarding tax accountant system and tax accountants' special training program. 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 and pursued a better understanding of the current situation. We also pursued a better understanding of the rights, duties, and responsibilities of tax accountants, and penalties that apply to tax accountants
9/28~10/13, 2009	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 accounting profession. Conducted Q&A symposium for Tax Academy students on October 12, and gave answers regarding Japan's Tax Audit.
11/30~12/12, 2009	At the tax accountant system seminar we made a presentation on challenges & measures to reform Uzbekistan's tax accountant system.

Tax accountant education system: Seimei Wada

Dispatch Period	Summary of Operations
7/28~8/5, 2009	Obtained the legislations and ministerial orders regarding tax accountant system and tax accountants' special training program. 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 and pursued a better understanding of the current situation. It is education for qualification, and examination system.
9/29~10/7, 2009	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 accounting profession.
12/1~12/12, 2009	Made a presentation of Uzbekistan tax accountant education system tasks and improvement program on Tax Accountant System seminar.

Tax system, Tax Administration system: Kazuya Horiguchi

Dispatch Period	Summary of Operations
6/24~7/2,2008	Held a briefing & discussion on the Inception Report (IR). Performed supplementary survey that covered Uzbekistan tax system current conditions and tax administration organization, based on the facts grasped during works in the Country

Work Record of Dispatched Experts

Field	Name	Belonging	Year	Month	2008							2009			Total (days)	M/M	
					4	5	6	7	8	9	10	11	12	1		2	3
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan	(Times of flight : 5)										90	3.00		
			Achievement			17 2 (16)		18 3 (17)		24 8 (16)	24 2 (6)	16 20 (13)			71	2.37	
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan	(Times of flight : 3)										54	1.80		
			Achievement			10 28 (10)	21 28 (6)	15 20 (9)		26 8 (12)		12 20 (9)		30 7 (9)	3 11 12 (9)	73	2.43
Tax Payer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan	(Times of flight : 3)										54	1.80		
			Achievement			17 2 (16)		18 3 (17)				8 24 (16)		16 27 (12)		61	2.03
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)										72	2.40		
			Achievement			17 2 (16)		18 3 (17)		24 8 (16)		8 24 (16)		20 7 (18)		84	2.80
Tax Collection	Akehiko Horma	Institute for Financial Affairs, INC.	Plan	(Times of flight : 5)										84	2.80		
			Achievement			17 2 (16)		18 3 (17)				8 24 (16)		20 4 (16)		65	2.17
Taxation and tax administration system	Kazuya Horiguchi	Takachiho University	Plan	(Times of flight : 1)										7	0.23		
			Achievement			24 30 2 (7)										7	0.23
Total days of experts (Work in Uzbekistan)											Plan	361	12.03				
											Achievement	361	12.03				
Interpreter	Kan Victoria, Ortigov Usid, Kholmamove Azam	Hitotsubashi University	Plan	(Times of flight : 5)										90	3.00		
			Achievement			17 2 (16)		18 3 (17)		24 8 (16)	24 2 (6)	10 24 (24)		16 1 4 (17)		90	3.00
Total days of interpreters											Plan	90	3.00				
											Achievement	90	3.00				
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan											30	1.0		
			Achievement			1 9 (9)		1 3 (3)		1 3 (3)	9 14 (6)		1 9 (9)		30	1.0	
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan											30	1.0		
			Achievement			1 9 (9)		1 3 (3)		1 3 (3)	9 14 (6)		1 9 (9)		30	1.0	
Tax Payer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan											27	0.9		
			Record			1 9 (9)		1 3 (3)		1 3 (3)	9 14 (6)		1 9 (9)		27	0.9	
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan											27	0.9		
			Achievement			1 9 (9)		1 3 (3)		9 5 (3)	9 11 (3)		8 16 (9)		27	0.9	
Tax Collection	Akehiko Horma	Institute for Financial Affairs, INC.	Plan											30	1.0		
			Achievement			1 9 (9)		1 3 (3)		1 3 (3)	9 14 (6)		5 13 (9)		30	1.0	
Taxation and tax administration system	Takashi Okuda	Institute for Financial Affairs, INC.	Plan											12	0.4		
			Achievement			1 9 (9)					9 11 (3)				12	0.4	
Total days of experts (Work in Japan)											Plan	156	5.2				
											Achievement	156	5.2				
Total											Plan	517	17.23				
Achievement											517	17.23					

■ Work in Uzbekistan □ Work in Japan ▬ Stays supported by own company

*Except interpreters

Work Record of Dispatched Experts

Field	Name	Belonging	Year	2009												2010			Total (days)	M/M
				Month	4	5	6	7	8	9	10	11	12	1	2	3	Uzbekistan	Japan		
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)														63	2.10	
			Achievement			20 9 (13)		26 8 (12)		21 3 (13)		23 4 (15)		27 9 (18)				63	2.10	
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)														54	1.80	
			Achievement			2 12 (14)		26 5 (8)		22 30 (8)		16 21 (8)		1 11 (11)		26 30 (6)		51	1.70	
Taxpayer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)														81	2.70	
			Achievement			2 20 (18)		26 8 (12)		21 7 (17)		1 18 (18)		11 23 (18)				77	2.57	
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)														72	2.40	
			Achievement			2 20 (18)		31 12 (13)		28 13 (18)		30 12 (18)		22 1 2 (12)				72	2.40	
Tax collection	Akehiko Homma	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)														63	2.10	
			Achievement			2 12 (11)		31 12 (18)		31 6 (13)		30 13 (13)		22 2 (12)				70	2.33	
Tax accountant system	Takashi Okuda	PM Consulting Corporation	Plan	(Times of flight : 3)														36	1.20	
			Achievement					31 12 (13)		28 13 (18)		30 12 (15)						42	1.40	
Tax accountant education system	Seimei Wada	PM Consulting Corporation	Plan	(Times of flight : 3)														36	1.20	
			Achievement					26 5 (8)		28 7 (8)		1 12 (12)						30	1.00	
Total days of experts (Work in Uzbekistan)															Plan	405	13.50			
															Achievement	405	13.50			
Interpreter	Kholmanov, Azam		Plan	(Times of flight : 4)														102	3.40	
			Achievement			20 20 (23)		28 12 (18)		21 3 (13)		30 12 (15)		18 20 (12)				77	2.57	
			Achievement							2 13 (12)								12	0.40	
			Achievement											4 18 (15)				13	0.43	
Total days of interpreters															Plan	102	3.40			
															Achievement	102	3.40			
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan															27	0.9	
			Achievement			21 26 (8)		22 24 (8)				19 21 (8)		9 14 (8)		1 9 (8)		27	0.9	
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan															42	1.4	
			Achievement			21 29 (8)		22 24 (8)				18 11 (8)		8 14 (8)		1 15 (15)		42	1.4	
Tax Payer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan															27	0.9	
			Achievement			21 26 (8)		22 24 (8)				16 18 (8)		9 14 (8)		1 9 (8)		27	0.9	
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan															24	0.8	
			Achievement			21 26 (8)		22 24 (8)				16 18 (8)		9 11 (8)		1 16 (8)		24	0.8	
Tax Collection	Akehiko Homma	Institute for Financial Affairs, INC.	Plan															21	0.7	
			Achievement			21 26 (8)		22 24 (8)						9 14 (8)		1 13 (8)		21	0.7	
Tax accountant system	Takashi Okuda	PM Consulting Corporation	Plan															18	0.6	
			Achievement						17 22 (8)				23 28 (8)		23 28 (8)			18	0.6	
Tax accountant education system	Seimei Wada	PM Consulting Corporation	Plan															18	0.6	
			Achievement						10 15 (8)				20 28 (8)		1 3 (8)			18	0.6	
Total days of experts (Work in Japan)															Plan	177	5.9			
															Achievement	177	5.9			
Total Plan															582	19.40				
Achievement															582	19.40				

Work in Uzbekistan
 Work in Japan
 Consultants' own finance
 *Except interpreters
 Achievement 582 19.40

Work Record of Dispatched Experts

Field	Name	Belonging	Year	2010												2011			Total (days)	M/M	
				Month	4	5	6	7	8	9	10	11	12	1	2	3	Uzbekistan	Japan			
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)															51	1.70	
			Achievement		28-9 (13)	25-9 (15)					25-9 (16)				1-7-8 (7)			51	1.70		
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)															51	1.70	
			Achievement		1-12 (12)	9-14 (6)			6-13 (8)	15-20 (6)			17-22 (6)	28-5 (9)	15-18-22 (4)			51	1.70		
Taxpayer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)															63	2.10	
			Achievement		4-18 (15)	9-23 (15)				9-24 (16)			7-22 (16)	14-18-19 (2)			63	2.10			
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan	(Times of flight : 5)															72	2.40	
			Achievement		28-11 (16)	9-23 (15)		3-15 (13)		5-20 (16)			25-5 (12)	14-15-19 (3)			72	2.40			
Tax collection	Akehiko Homma	Institute for Financial Affairs, INC.	Plan	(Times of flight : 4)															63	2.10	
			Achievement		28-11 (15)	25-9 (15)				5-20 (16)			1-17-19 (17)			63	2.10				
													Total days of experts (Work in Japan)			Plan	372	12.40			
													Achievement			372	12.40				
Interpreter	Kholmanove. Azam Kan Victoria		Plan	(Times of flight : 4)															72	2.40	
			Achievement		3-16 (17)	12-24 (13)				2-20 (19)			17-23-16 (7)			56	1.87				
			Achievement		28-13 (16)											16	0.53				
													Total days of interpreters			Plan	72	2.40			
													Achievement			72	2.40				
Leader	Yoshinobu Watabe	Institute for Financial Affairs, INC.	Plan																15	0.5	
			Achievement		25-21 (3)	22-24 (3)				21-23 (3)			4-9 (6)			15	0.5				
Deputy leader	Kenichiro Iwashita	Institute for Financial Affairs, INC.	Plan																33	1.1	
			Achievement		25-27 (3)	22-25 (3)	27-29 (3)			21-29 (9)		8-8 (3)	2-18-15 (15)			33	1.1				
Taxpayer service	Heizo Koike	Institute for Financial Affairs, INC.	Plan																18	0.6	
			Achievement		25-27 (3)	1-6 (6)				4-8 (3)			1-6 (6)			18	0.6				
Tax audit	Fumio Hashimoto	Institute for Financial Affairs, INC.	Plan																27	0.9	
			Achievement		25-27 (3)	30-8 (9)			30-4 (6)			4-12 (9)			27	0.9					
Tax collection	Akehiko Homma	Institute for Financial Affairs, INC.	Plan																18	0.6	
			Achievement		25-27 (3)	19-24 (6)				2-4 (3)			4-4 (1)			18	0.6				
													Total days of experts (Work in Japan)			Plan	147	4.9			
													Achievement			147	4.9				
													Total	Plan	519	17.30					
													Achievement	519	17.30						

Work in Uzbekistan

Work in Japan

Consultants' own finance

*Except interpreters

5 Workshops and Seminars

5 Workshops and Seminars

Tax-related procedural improvement seminar

Date: September 25 10:00

Place: Tax Academy lecture hall

Participants: around 60 persons from STC, Tax Academy and Tax College

Seminar holding objects

It aims to propose measures to solve the issues that has been grasped by the experts, and connect with work improvement of Uzbekistan Republic tax administration.

Proceedings

- Opening greeting: Mr.E.Gadoev, Deputy Chairman, STC
- Presentation of improvement plan

Personnel training: Mr.Yoshinobu Watabe(Leader of the project)

Tax audit: Mr.Fumio Hashimoto (Expert)

Tax collection: Mr.Akehiko(Expert)

Taxpayer service: Mr.Heizo Koike (Expert)

- Questions and answers
- Closing greeting: Mr.E.Gadoev, Deputy Chairman, STC

Results of the seminar

The Uzbek side reviewed the recommendations, and presented comments pertaining to those recommendations. Then, after exchanging replies to the comments with Japanese experts, they began to consider implementation specifics.

The following section outlines the current progress the Uzbek side is making with implementation in accordance with recommendations provided by the Japanese experts.

- Personnel training

Suggestion matter: Introduction of Phased education system

It is fair to say that a system of phased education has been successfully introduced given that the Tax Auditing Fundamentals and Tax Auditing Technical Aspects sections, and the Tax Collection general and Tax College versions of the teaching materials have been adopted.

- Tax audit

Suggestion matter: Plan of Tax audit, methods of audit target selection that could be performed solely by STC

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.

- Tax collection

Suggestion matter: Establish a call center (telephone based reminder) system, keeping records when contacting tax delinquents, annual action plan for forcible tax collection

Demand for large amount of delinquents is done by phone, but establishing of call center for tax collection is under the consideration. Regarding the tax delinquents contact records STC has started keeping records when contacting tax delinquents. “Delinquent amounts reduction plan” and “Plan of work with each tax delinquents” are being prepared and annual action plan for forcible tax collection is carried out.

- Taxpayer service

Suggestion matter: Seminars to taxpayers, Tax week, grasping of taxpayers’ questions and opinions

Seminars to taxpayers are being held periodically. Moreover, preliminary training of instructors dispatched to Taxpayer Seminars has been made mandatory. Tax week has been

introduced in January 2011. Regarding the grasping of taxpayers' question and opinions the questionnaire survey has been carried out over the country. It is expected to hold the questionnaire each year. Tax week has put into practice through Windows.

Tax accountant system seminar

Date: February 10, 2009, 09:00

Place: Dedeman Silk road hotel

Participants: around 80 persons from STC, Ministry of Finance, Members of Parliament, Chamber of commerce and industry, Tax accountant association, international organizations, etc.

Purpose of the seminar

Although the number of taxpayers in Uzbekistan is increasing, the number of tax officials is not, which is leading to a growing administrative workload. In response to this state of affairs, tax practitioners (tax accountants) have come to play a vital role. Uzbekistan's tax system is still in its early stages, and as such there are still very few tax accountants—only around 20 in total. At this rate, it will be difficult to achieve the government's objective of achieving 10 times that current number in the next several years. In that regard, we have decided incorporate a seminar-style format to present know-how from Japan as well as recommendations from experts to help spur changes to the status quo.

Proceedings

- Opening greeting

Mr. M. Mirzaev Deputy Finance Minister of Republic of Uzbekistan

Mr. E. Gadoev First Deputy Chairman, State Tax Committee of Republic of Uzbekistan

Mr. Yu. Ejiri Representative, JICA Uzbekistan office

- Presentation

Japan certified tax accountant system Mr. T. Okuda (Expert)

Situation of Uzbekistan certified tax accountant system and its improvement prospects

Mr. R. Bakhrom, Ministry of Finance

Japan certified tax accountant education system

Mr. S. Wada (Expert)

Uzbekistan certified tax accountant system, problems of tax accountant education system and improvement points

Mr. S. Wada (Expert), Mr. T. Okuda (Expert)

- Questions and answers

Seminar results

Recommendations proposed during the seminars include: exemptions from tests, exemptions from some test subject matter, means of increasing the number of companies that accept trainees, improving training opportunities provided by Uzbekistan's Chamber of Tax Consultants, preparation of test content that reflects work actually performed, reducing the frequency of tests, and introducing a system of awarding passing results for individual areas of study. Of those recommendations, the one pertaining to allowing for exemptions from some test subject matter is currently under review with the Ministry of Finance.

Project completion report seminar

Date: February 17, 2011, 10:00

Place: Dedeman Silk road hotel

Participants: around 70 persons from STC, Ministry of Finance, Chamber of commerce and industry, Ministry of economics, Tax accountant association, Tax college, Tax academy.

Proceedings:

- Opening greeting:

Mr. E. Gadoev Deputy Chairman, State Tax Committee of Republic of Uzbekistan

Mr. Yu. Ejiri Representative, JICA Uzbekistan office

- Project results

Mr.N.Norboev, Head of Improving Methodology of Taxation Department, STC

- Uzbekistan Tax administration further improvement

Personnel training Mr.K.Iwashita(Deputy leader)

Tax audit Mr.F.Hashimoto (Expert)

Tax collection Mr.A.Homma (Expert)

Taxpayer service Mr.H.Koike (Expert)

- Questions and answers
- Closing greeting

Mr. E. Gadoev Deputy Chairman, State Tax Committee of Republic of Uzbekistan

Purpose of the seminar

The seminars were conducted so that upon completion of the project the overall content of the project and its associated outcomes could be shared with Uzbek governmental entities, and so that recommendations could be presented in regard to issues still remaining. Ultimately, the intention in regard to the seminars is for the Nation of Uzbekistan to take initiative in finding their own solutions to their challenges.

Note: Refer to main report for details on recommendations that have been proposed.

Other seminars

Year 1

- Carried out a seminar in an object of executive officer at the time of the first field survey.

Participants: 15 persons from STC, Tax Academy, Tax College. The topics are as below:

- Overview of Japan's Tax System & Tax Agency Organization
- Overview of Japan Tax college
- Overview of Japan Tax audit
- Overview of Japan Tax collection process
- Present condition of Japanese Taxpayer service

Year 2

- Carrying out the questions and answers seminar on Japan Tax system/Tax administration system for 200 persons from students of Tax Academy, Trainers, CP, Tax officials.

- Carry out the “Present condition of Japanese tax administration targets and performance” seminar for 100 persons from STC

- Carry out the “Tax audit” seminar for 100 persons from STC.

6 Country-Focused Training

6 Country-Focused Training

1st Country-focused training

February 9, 2009 - February 22, 2009

Date	Time	Training items	Instructor	Place
February 9		Departure from Uzbekistan		
February 10	9:40-14:45	Briefing	JICA	JICA Tokyo
	15:00-16:30	Program Orientation	JICA, National Tax College	JICA Tokyo
February 11				
February 12	09:30-12:30	Presentation of Country Report	National Tax College Research Department	JICA Tokyo
	13:30-16:30	Outline of Japanese Tax System	National Tax College Research Department	JICA Tokyo
February 13				
February 14				
February 15	09:30-12:30	Outline of Tax Administration Japan (organization, taxpayer service, evaluation of personnel)	National Tax College Research Department	JICA Tokyo
	13:30-16:30	Taxpayer Control Tax Audit	National Tax College Research Department	JICA Tokyo
February 16	09:30-12:30	Tax Collection	National Tax College Research Department	JICA Tokyo
	13:30-16:30	Human Resource Management and Development (adoption, evaluation, salary)	National Tax Administration	JICA Tokyo
February 17	09:30-12:30	Human Resource Management and Development (training, OJT)	National Tax College Research Department	National Tax College Wako
	13:30-16:30	Observation of Wako Campus of NTA	NTA Wako Campus	
February 18	09:30-12:30	Human Resource Management (regulation, inspection,)	National Tax College Research Department	JICA Tokyo
	13:30-16:30	Preparation for Action plan	National Tax College Research Department	JICA Tokyo
February 19	09:30-12:30	Presentation of Action plan	National Tax College	JICA Tokyo
	13:30-16:30	Evaluation	JICA, National Tax College	JICA Tokyo
February 20				

February 21				
February 22		Departure from Japan		

List of participants

No	Name	Work place	Position
1	A. Tagaev	STC	Deputy Department Director Dept. of documentary audit
2	B. Tuhliev	Tax academy	Deputy rector
3	D. Turahanov	STC	Chief of Chairman secretariat
4	F. Azizov	STC	Assistant First Deputy Chairman
5	S. Boymurodov	STC	Chief inspector, Department of taxation methodology improvement
6	Z. Kurbanov	Tashkent Tax College	Director
7	B. Zaynuddinov	Buhara Tax College	Director
8	S. Tashmatov	Banking and Finance Academy	Chief of chair
9	G. Ruziev	Tax academy	Deputy dean of faculty of retraining
10	A. Juraev	Tax academy	Teacher
11	I. Norquziev	Tax academy	Teacher
12	K. Hotamov	Tax academy	Teacher
13	N. Rozukov	Tashkent Tax College	Teacher
14	T. Oblomurodov	Tashkent Tax College	Teacher

Remarks

The National Tax College accepted participants, and the program was implemented. Because most of the trainees were project counterparts (CPs), they came to Japan already possessing some degree of understanding about the workings of tax administration in Japan. The training was evaluated highly, and the trainees were very satisfied with the program. They represented a wide range of fields and were affiliated with many different organizations, which thereby made it possible to present lecture content covering a wide range of topics. Tax College and Tax Academy faculty were apparently stimulated by the lectures conducted by National Tax College instructors.

Although very satisfied with the lectures, many trainees commented that they would have liked to have visited actual tax administration offices. Unfortunately however, the dates during which training were offered overlapped with the tax filing season. Therefore, because the training was held during the busiest time of year for the Japanese tax offices, visits couldn't be arranged. However, we made sure that training sessions the next time around did reflect the desires of trainees to visit the tax offices.

After returning to their country, the trainees compiled the results of these training sessions into a report, and presented that report, along with recommendations for tax administration reform, to officials of the STC.

2nd Country-focused training**November 23, 2010-December4, 2010**

Date	Time	Training items	Instructor	Place
November 23		Departure from Uzbekistan		
November 24	16:00-	Briefing Program Orientation	JICA Tokyo Institute for Financial Affairs, INC.	JICA Tokyo
November 25	10:00-12:00	Tax System of Japan	Institute for Financial Affairs, INC.	JICA Tokyo
	14:00-16:00	Tax Administration System of Japan	Institute for Financial Affairs, INC.	JICA Tokyo
November 26	9:30-12:30	Public Relation of National Tax Administration Japan	National Tax Administration	JICA Tokyo
	13:30—16:30	Information Technology at National Tax Administration	National tax College Research Department	JICA Tokyo
November 27				
November 28				
November 29	10:30-12:00	Operation of District Tax Office	Edogawa-kita Tax Office	Edogawa-kita Tax Office
	13:30-15:30	Operation and Roll of NTA Call Center	NTA Call Center	NTA Call Center
November 30	10:00-12:00	Tax Audit	Institute for Financial Affairs, INC.	JICA Tokyo
	14:00-16:00	Tax Collection	Institute for Financial Affairs, INC.	JICA Tokyo
December 1	10:00-11:00	Compilation of documents		JICA Tokyo
	13:30-15:00	Visit to Japan Federation of Certified Public Tax Accountants' Associations	Japan Federation of Certified Public Tax Accountants' Associations	Japan Federation of Certified Public Tax Accountants' Associations
December 2	10:00-12:00	Taxpayer Management System	NTTDATA Institute of Management Consulting ,INC.	JICA Tokyo
	14:00-16:00	Discussion Regarding Tax Administration of Japan	Institute for Financial Affairs, INC.	JICA Tokyo
December 3	10:00-11:00	Evaluation	JICA , NTA, Institute for Financial Affairs, INC.	JICA Tokyo
December 4		Departure from Japan		

List of participants

No	Name	Organization
1	X.Shokirov	Director, Department of Information Technology, STC
2	Q.Niyaznetov	Director of Division of Compulsory Collecting of Tax Debts, STC
3	H.Rahmanov	Chief, Department of the Resource Taxes of the Natural Persons and other State Incomes, STC
4	S.Majitov	Assistant of Chairman, STC
5	U.Abdullaev	Director of Division of Analyses of Money Flow, STC

Remarks

During the previous training program, dates of the visit overlapped with the tax administration offices' busy season, and they were therefore unable to visit the tax offices even though program participants had high hopes of doing so. This time around, however, the National Tax Agency made it possible for us to visit tax administration offices.

While at the tax offices, the trainees were provided with explanations and were able to see office processes using optical character recognition equipment. The trainees were very pleased to have that opportunity. Moreover, the lectures themselves, delivered in a question-based format, generated some lively discussion thanks in large part to the lecturers.

If we successfully put together a program in which a significant proportion of time is devoted to opinion exchange in the initial year of the project, and combine such activities with the field surveys, we will be able to achieve a deeper level of understanding between experts and counterparts (CPs). This will also clarify the approach to be taken with this project, and successfully drive the project forward.

7 Joint Coordination Committee Outline

7 Joint Coordination Committee Outline

1st Joint Coordination Committee

Date: June 24,2008

Time: 10:00 -11:30

Place:STC conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Erkin Gadoev, First Deputy Chairman

Mr. Kudratali Mamatisaev, Director of Main Department of Foreign Currency Control

Ms Rano Alishaeva, Director of International Tax Relations and Cooperation Division

Mr. Telman Tajibaev, Director of HR Department

Ms Natalia Shmakova, Director of Direct Taxation Department

Tax Academy

Mr. Naim Oblomurodov, First Deputy Rector

Mr. Safarbay Achilov, Deputy Rector

Mr. Shuhrat Toshmatov, Head of Tax System Sub-Faculty

Tax College

Mr. Ziyod Niyozov, Director

Ms Dilbaroy Rahmanova, First Deputy Director

Ms Nasiba Aripova, Deputy Director for Studies

Mr. Kahramon Jamirzaev, Deputy Director for Economic Administration

Mr. Sharifzoda Sharipov

Japanese Side

JICA Uzbekistan Office

Mr.Muneo Takasaka , Representative

Mr.Narkobulov Nodir , Program Officer

JICA Project Team

Mr.Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader of the Team

Mr. Fumio Hashimoto, Member of the Team

Mr. Heizo Koike, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Kazuya Horiguchi, Member of the Team

Mr.Gairat Jumaev, Coordinator

JICA Headquarters

Mr. Noriharu Masugi

Fiscal and Financial Sector Management Division, Public Policy Department, JICA

Outline

The first meeting of the Joint Coordinating Committee (JCC) featured discussions pertaining to the Inception Report (IR). During meeting proceedings, meeting participants verified definitions of terminology in regard to the items listed hereafter. This resulted in agreement in regard to content of the IR and Operational Plan.

Accordingly, the following matters were discussed and verified at the first meeting of the JCC:

- Definition of the term "taxpayer services" as it relates to the priority objectives
- Definition of the terms "result" and "benchmark" as they relate to the project objectives
- Definition of taxpayer services in Uzbekistan

- Possibility of granting students eligibility to complete the questionnaire pertaining to the basic plan on aspects of HR development
- Verification of whether or not "tax control" is a category included in tax audits performed in Uzbekistan
- Points to consider in regard to preparation of the teaching materials
- Review of the long-range teacher development plan
- The degree to which organization of the training program accords with the HR development system

In addition to the aforementioned matters, the Tax College's and Tax Academy's relationship with the Higher & Secondary Education Ministry was verified. The Japan side next requested that the Uzbek side appoint counterparts to perform program-related work, and the first meeting of the JCC was then called to a close.

2nd Joint Coordination Committee

Date: December 19, 2008

Time: 14:00 -16:00

Place: STC conference room

Participants

Uzbekistan Side

State Tax Committee

Ms Rano Alishaeva, Director of International tax relations and Cooperation Division

Mr. Telman Tajibaev, Director of HR Department

Mr. Abdihoviz Tangirkulov, Director of Operating Analysis of Tax Revenues Department

Mr. Aziz Tagaev

Vice director of Documentary Tax Audit Department

Mr. Sodiq Boymurodov

Chief Inspector of Improving Methodology of Taxation Department

Tax Academy

Mr. Safarbay Achilov, Deputy Rector

Tax College

Mr. Ziyod Niyozov, Recotr

Japanese Side

JICA Uzbekistan Office

Mr. Yukihiro Ejiri, Chief Representative

Mr. Narkobulov Nodir, Program Officer

JICA Project Team

Mr. Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader of the Team

Mr. Fumio Hashimoto, Member of the Team

Mr. Heizo Koike, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Gairat Jumaev, Coordinator

Outline

The second meeting of the JCC involved a general summary of project implementation and operations. A project implementation and operations summary was presented, based on which the Japanese side provided reports in regard to: 1) an overall summary of project progress, and 2) project results. Next, experts on the project provided supplementary details in regard to individual field specialties. Those explanations were followed by comments from counterparts (CPs) from the Uzbek side.

The Uzbek side requested that Japanese experts give lectures pertaining to relevant systems implemented in Japan. The Japanese side agreed to their request.

The Japanese side requested that data be provided in a timely manner. The Uzbek side replied that they could fundamentally accommodate that request, but added that it would be difficult to hand over confidential data, and as such asked for the understanding of the Japanese side in that regard.

Also, there was an announcement that Japan had requested that Uzbekistan provide one individual to participate in the upcoming ISTAX international training sessions held for mid-level tax-related staff.

3rd Joint Coordination Committee

Date: June 8, 2009

Time: 15:00 -16:30

Place: Tax Academy conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Telman Tajibaev, Director of HR Department

Mr. Abdihoviz Tangirkulov, Director of Operating Analysis of Tax Revenues Department

Mr. Aziz Tagaev, Vice director of Documentary Tax Audit Department

Mr. Sodiq Boymurodov, Chief Inspector of Improving Methodology of Taxation Department

Tax Academy

Mr. Safarbay Achilov, Deputy Rector

Japanese side

JICA Uzbekistan Office

Mr. Sharifzoda Sharipov, Program Officer

JICA Project Team

Mr. Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader of the Team

Mr. Fumio Hashimoto, Member of the Team

Mr. Heizo Koike, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Gairat Jumaev, Coordinator

Outline

The third meeting of the JCC involved: reports on the results of project operations; additional comments in regard to the operational results; and explanations pertaining to basic policies for implementation of this year's (Year 2) implementation of project operations, related implementation methodologies and so forth.

Meeting participants verified important matters pertaining to the review of intermediate teaching materials covering the subject of tax audits, and important matters pertaining to operational reforms. Meeting participants confirmed that priority would be given to work involving taxpayer services, including related tax education, tax accountant systems, the administration of questionnaires, and means of providing information to taxpayers.

Work has progressed up to chapter one and chapter two of the teaching materials of taxpayer service. Although differences between systems of Japan and Uzbekistan made the process of achieving mutual understanding in regard to tax collection matters more time consuming, meeting participants eventually reaffirmed that the two sides are to go ahead with the task of preparing the teaching materials. As for tax collection work procedures, discussions

revealed that the STC is reviewing specific proposals including: proposals to maintain records of contact with taxpayers, proposals in regard to tax reserve deposit requirements, and proposals in regard to establishing a call center to facilitate tax collection.

In regard to upcoming field surveys, proposals were made to implement special lectures, covering themes determined by individual experts that introduce the current state of affairs in regard to tax administration in Japan; proposals were also made to hold workshops that address operational reforms in Uzbekistan.

Both sides agreed to consider providing additional assistance in regard fully enabling Uzbekistan's tax accounting profession.

4th Joint Coordination Committee

Date: December 4, 2009

Time: 15:00 -16:30

Place: Tax Academy conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Nazarali Norboev, Director improving Methodology of Taxation Department

Mr. Abdihoviz Tangirkulov, Director of Operating Analysis of Tax Revenues Department

Mr. Aziz Tagaev, Vice director of Documentary Tax Audit Department

Tax Academy

Mr. Anvar Juraev, Project manager of this project

Mr. Jamoliddin Kholtaev, Head of Faculty of Re-education

Japanese Side

JICA Uzbekistan Office

Mr. Shinji Totsuka, Deputy Representative

Mr. Naoki Nihei, Representative

Mr. Sharifzoda Sharipov, Program Officer

JICA Project Team

Mr. Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader of the Team

Mr. Fumio Hashimoto, Member of the Team

Mr. Heizo Koike, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Takashi Okuda, Member of the Team

Mr. Seimei Wada, Member of the Team

Mr. Gairat Jumaev, Coordinator

Embassy of Japan

Mr. Mitsuhiro Toyama, First Secretary

Outline

At the fourth meeting of the JCC, a report was presented on the overall progress of the project in Year 2. The report was based on an implementation and operations summary of the project to achieve reforms in tax administration in Uzbekistan. Later, the Japan side commented on additional questions raised by the Uzbek side pertaining to recommendations voiced at the operational reform seminars. The Uzbek side asked the Japan side to provide responses in regard to the following matters:

- Details on methodologies for surveying taxpayer needs
- Details on how tax collection situations in Japan are handled when the collection of delinquent

taxes would result in tax collection expenses in excess of the delinquent amount to be collected

The Japanese side asked the Uzbek side to indicate, before the next field survey, whether or not they want to move forward with recommended reforms and such, and to indicate if they want to know further details. The request is being reviewed with the thought of incorporating such procedures into next year's operational plan. The Dean of the Faculty of Re- Education was asked to provide a summary of the process involved in incorporating the teaching materials into classroom lectures. The Uzbek side gave their approval in regard to both requests.

Moreover, the Japanese side presented implementation plans for the tax accountant system seminar to be held on December 10th, and asked for cooperation in that regard.

5th Joint Coordination Committee

Date: July 8,2010

Time: 10:00 -12:00

Place: Tax Academy conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Erkin Gadoev, First Deputy Chairman

Mr.Aziz Tagaev, Vice director of Documentary Tax Audit Department

Mr.Sodiq Boymurodov, Chief Inspector of Improving Methodology of Taxation Department

Tax Academy

Mr. Bozorboy Tuhliev, Deputy Rector, Tax Academy

Mr. Anvar Juraev, Instructor

Mr.Ilhom Norkuziev, Instructor

Mr. Jamoliddin Kholtaev , Head of Faculty of Re-education

Tax College

Mr. Ziyod Niyozov, Recotr

Mr. Nurulla Rozikov,Instructor

Japanese Side

JICA Uzbekistan Office

Mr. Shinji Totsuk, Deputy Representative

Mr.Naoki Nihei, Representative

Mr. Sharifzoda Sharipov, Program Officer

JICA Project Team

Mr.Yoshinobu Watabe , Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader

Mr. Fumio Hashimoto, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr.Heizo Koike, Member of the Team

Mr. Gairat Jumaev , Coordinator

Outline

Matters dealt with at the fifth meeting of the JCC mainly consisted of an country-focused training follow-up report, a report on progress made up to the previous year, an announcement of important matters for this year and a related work schedule, the current state of affairs in regard to operational reforms and initiatives in regard to those reforms.

STC officials were presented with recommendations for operational reform outlined in the follow-up report of the country-focused training task force leader. Following is a list of the key recommendations provided:

- In regard to the issue of delinquent taxes, compulsory tax collection authority should be reinstated to improve the ratio of taxes collected. Electronic means of tax payment should be adopted and promoted.
- In regard to tax audits, bank accounts and foreign currency accounts of company owners should be analyzed and controlled, and unscheduled audits should be performed on enterprises that ignore the authorities after they have been notified of illegalities.
- Taxpayer services should involve wide-ranging use of the Internet and the mass media.

Next, the Japanese side reported on how the project was progressing; reports were given to the effect that the Tax Auditing Fundamentals section and the tax collection and taxpayer services teaching materials were nearing completion, and; reports were given on the status of the trial classes. Later, priority matters and plans for the current year were announced, for which approval was granted without any particular objections. Next, an explanation was provided in regard to implementation of the current year's country-focused training.

The Japanese side requested that the teaching materials initially be used in the new academic term beginning in September. The Uzbek side then commented that they weren't sure if it would be possible to incorporate the materials into the curriculum as early as September. The Japanese side then asserted that educators should start using the teaching materials. They noted that even if the teaching materials are not yet printed, they can be provided to the students in the form of handouts and other such materials.

Moreover, the Uzbek side remarked that they intend to remain positive in regard to their efforts with taxpayer questionnaires designed from a taxpayer services perspective.

6th Joint Coordination Committee

Date: November 18, 2010

Time: 15:00 -16:30

Place: Tax Academy conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Sodiq Boymurodov, Chief Inspector of Improving Methodology of Taxation Department

Tax Academy

Mr. Bozorboy Tuhliev, Deputy Rector, Tax Academy

Mr. Anvar Juraev, Instructor

Mr. Ilhom Norkuziev, Instructor

Mr. Jamoliddin Kholtaev, Head of Faculty of Re-education

Tax College

Mr. Nurulla Rozikov, Instructor

Japanese side

JICA Uzbekistan Office

Mr. Shinji Totsuk, Deputy Representative

Mr. Naoki Nihei, Representative

Mr. Sharifzoda Sharipov, Program Officer

JICA Project Team

Mr. Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader

Mr. Fumio Hashimoto, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Heizo Koike, Member of the Team

Mr. Gairat Jumaev, Coordinator

Embassy of Japan

Mr. Kinoshita, Secretary

Outline

At the sixth meeting of the JCC presentations were given highlighting current program progress and future plans, and people involved with the teaching materials delivered presentations about those materials.

The teaching materials are almost completely finished, and so the Japanese side asked that people involved with the materials from the Tax College and the Tax Academy deliver presentations to clarify what classes the materials are used in, who they are used with, and how they are being used—and also to clarify their future intentions along those lines. The Japanese side also asked the Uzbek side to inform them of plans for distribution of teaching materials already printed. The Uzbek side gave their approval in that regard.

Next, explanations were provided in regard to country-specific training schedules and curriculum. Then, the meeting was called to a close.

7th Joint Coordination Committee

Date: February 4, 2011

Time: 10:00 - 11:30

Place: Tax Academy conference room

Participants

Uzbekistan Side

State Tax Committee

Mr. Erkin Gadoev

Deputy Chairman, State Tax Committee, Director, Tax Academy

Mr. Nazarali Norboev

Director, Improving Methodology of Taxation Department, STC
Tax Academy

Mr. Bozorboy Tuhliev, Deputy Rector, Tax Academy

Mr. Anvar Juraev, Instructor

Japanese Side

JICA Uzbekistan Office

Mr. Yukihiro Ejiri, Chief Representative

Mr. Naoki Nihei, Representative

Mr. Sharifzoda Sharipov, Program Officer

JICA Project Team

Mr. Yoshinobu Watabe, Leader of the Team

Mr. Kenichiro Iwashita, Deputy Leader

Mr. Fumio Hashimoto, Member of the Team

Mr. Akehiko Homma, Member of the Team

Mr. Gairat Jumaev, Coordinator

Japanese Terminal Evaluation Team

Mr. Hiroyuki Abe

Mission leader, Director, Fiscal and Financial Sector Management Division,
Public Policy Department, JICA

Mr. Kensuke Tsuji

Cooperation Planning, Deputy Director, Fiscal and Financial Sector Management
Division, Public Policy Department, JICA

Mr. Hideyuki Takagi

Evaluation Analysis, Consultant, Ernst & Young Advisory

Ms. Keiko Kojima
Coordinator and translator, Japan Center for International Cooperation (JICE)

Outline

Japan Terminal Evaluation Team presented the Terminal Evaluation Report at the Joint Coordination Committee meeting held on February 4, 2011. The Uzbekistan side approved the results.

Next, Japanese experts presented forthcoming issues and gave recommendations in regard to HR development, tax audits, tax collection, and taxpayer services. In regard to HR development, Japanese experts clarified objectives of tax administration and related principles, and reported on the results of questionnaires pertaining to classes in which the teaching materials had been used. They gave recommendations on ways to build staff-member awareness in regard to taxpayer services, and on means of creating a more favorable tax environment. Accordingly, in regard to tax audits, the experts made suggestions pertaining to ways of selecting candidates for audits. In regard to tax collection, the experts made recommendations pertaining to the implementation of requirements for bank-transfer tax payment systems, tax reserve deposits, and certificates of tax payment, and they also made suggestions in regard to the handling of telephone-based taxpayer notifications.

The JICA Project team conveyed to STC its intention to finish the present project by the end of February 2011, which STC approved.

The Japanese side expressed its wish to have those from the Uzbekistan side and media representatives take part in the Terminal Report Seminar to take place at 10 a.m. on February 17, 2011, at the Dedeman Silk Road Tashkent Hotel, which the Uzbekistan side approved.

8 Lessons from Project Implementation

8 Lessons from Project Implementation

(1) The importance of understanding actual project conditions before project initiation

Work performed in regard to the Uzbekistan Tax Administration Project has involved revisions of both curriculum and practical teaching materials. That work has been carried out in accordance with project objectives that call for enabling Tax College and Tax Academy faculty to improve their own capabilities as educators.

However, upon entering the on-site phase of the project it became clear that such objectives would be subject to various constraints. First, we found that there were no teaching materials available that could be targeted for revision efforts, and therefore we realized that we would need to create new materials from scratch. Moreover, we learned that there were significant time requirements in regard to obtaining Ministry of Higher and Secondary Specialized Education authorization to modify curriculum and to approve teaching materials. Therefore, preparation of the teaching materials proved to be time consuming—a situation which ultimately led to delays in our progress overall.

Accordingly, we learned that our ability to move forward with a respective project according to plan is significantly impacted when actual project conditions differ from preconditions on which the project was initially based. Therefore, going forward we need to properly verify actual conditions before embarking on initial phases of projects.

(2) The importance of high degrees of counterpart and trainee motivation

Twelve individuals, four each from the Tax College, Tax Academy and the STC, worked together as counterparts (CPs) engaged in the four fields of the project: HR development, tax auditing, tax collection and taxpayer services. The counterparts not only engaged in day-to-day operations, but were also in charge of work involving the achievement of project objectives that had to be met within certain time constraints.

Participation in country-focused training doubtlessly acted as one incentive for the counterparts. Although, there were concerns that the counterparts might be less motivated in regard to joint endeavors when they returned from training, when they did return to Uzbekistan they proved to be even more enthusiastic in regard to their work. The reasons for this increased motivation are likely threefold: first, they were likely stimulated by the lectures they attended which were delivered by tax officials at the forefront of tax administration in Japan; second, they were likely stimulated by their tax office visits where they could see first-hand how tax offices in Japan function; and third, because the trainees represented a select few people from Uzbekistan who were chosen to take part in overseas training, they were likely driven by expectations that they would show more dedication toward their jobs after returning to Uzbekistan.

Moreover, the project gave junior and mid-level staff an opportunity to appeal directly to STC executive officials. For instance, the country-focused training briefing session held after the trainees had returned to Uzbekistan offered them an opportunity to deliver their message in front of STC executive officials. Not only did this give them a chance to report on their visit to Japan, but it also allowed them to propose recommendations for revisions to tax administration procedures in Uzbekistan.

Also, although the task of printing and distributing the teaching materials proved to be time consuming, we found that Tax College and Tax Academy faculty members who were involved in preparing the materials ended up making copies of key data sets and using that material in their classes, and actively using materials that had been developed in other ways as well. The teaching materials brought a considerable level of prestige to the authors of the materials because their names accompanied respective content, and their works were actually

published, which is somewhat uncommon in Uzbekistan.

There was overlap between these elements, and it can be said that the joint project proceeded smoothly. The results of the project are set out above, but besides this, a nationwide questionnaire was held in order to hear the opinions of taxpayers (garnering 3,800 samples of actual first-year results). From hereon in, this will be carried every year, and measures were launched that will incorporate policies into actual governance. Also, it was decided that trained STC staff would of necessity be assigned to the running of local seminars for taxpayers. This was proposed by experts, and is actually something that CPs have been working on from before. The road ahead is a long one, but taxpayer-focused measures are being launched.

9 Future Challenges for the Uzbekistan Tax Authority

9 Future Challenges for the Uzbekistan Tax Authority

9.1 Human Resource Development

9.1.1 Introduction

(1) Goals and methods of the implementation of present project

The goal of the present project is improvement of the activities in the field of staff training for the tax bodies and tax administration in the Republic of Uzbekistan (hereafter referred as - RUz). The basis of this goal consists of 1) achieving appropriate and fair taxation, 2) development of the system of universal tax declaration and tax payment, and 3) gaining the trust of taxpayers to tax administration, which are the basic tasks of the tax administration. Thus, the greatest task is integrating the field of staff training and improvement of the works on the assignments of the tax administration.

For the purposes of the staff training, study of the system of employment of the staff to the tax bodies, system of training staff, educational program and human resource management, identifying the problems and issues, requiring improvement, and elaboration of the recommendations on their improvement were defined as the tasks of the Project.

Also in the field of improving tax administration system it was decided to study current system in the tax bodies, to identify the problems and tasks, to submit recommendations on solving these issues.

Regarding the submission of the proposals on the improvement of the duties, concrete proposals were made on the basis of the experience of Japanese tax system.

However, taking into account wide scale of the tax related affairs it was decided to carry works on three most important directions, such as “tax audits”, “collection of tax debts” and “tax payer services”, and formulate proposals on the improvement of the activities in these fields.

Especially in the part of integrating the field of staff training and improvement of the works on the tasks of the tax administration the goal was set up to ensure training of staff for tax administration through development of theoretical and practical teaching aids and their introduction to the educational programs, which train staff for the state tax services and carry out capacity building activities for the staff of the tax bodies.

To implement the assignments the joint activities were organized by working group consisting of 16 people on 4 directions, such as “human resource development”, “tax audits”, “collection of taxes” and “tax payer services”, and 4 specialists, 1 Japanese expert and 3 Uzbek specialists were from State Tax Committee, Tax Academy and Tax College were working on each direction.

(2) Bodies of state tax service of the Republic of Uzbekistan

The state agency in the Republic of Uzbekistan with jurisdiction over the fiscal revenue is the Ministry of Finance. Moreover, the agency tasked with the actual levying and collection of taxes based on the Tax Code and other pertinent ordinances and regulations is the State Tax Committee (herein the STC). The STC's subordinate agencies are the 14 regional tax bureaus located across the country, under which there are a further 199 district tax offices. The work carried out by these agencies is generally referred to as tax administration and is supported by the efforts of 12,230 tax officials involved in the day-to-day levying and collection of taxes.

9.1.2. Uzbekistan's Current Tax Official Education System

(1) Traits of Uzbekistan's tax official education system

One remarkable difference between the tax official education systems of Japan and Uzbekistan is that while the former provides tax education to personnel after employing them as tax officials, the latter trains personnel prior to employment based on the premise that they

will subsequently become tax officials.

To this end, Uzbekistan has established the Tax College within its high school system tasked with secondary education (four-year compulsory education system.) The Tax College offers a four-year course incorporating specialized taxation curricula for the training of regular tax officials. But in the case of Tax College, although a majority of the graduates are planning to be hired by a tax agency after graduation, neither students nor the school is obligated to make graduates into tax officials. Graduates have the freedom to go on to other academic institutions or work for companies.

Therefore, whereas Japan's National Tax College aims to solely train students to become tax officials, Uzbekistan's Tax College is not considered an academic institution solely dedicated to training tax officials for STC.

Uzbekistan has also established the Tax Academy; a university which aims to provide tertiary education with the addition of specialized taxation curricula. The Tax Academy offers a four-year bachelor's course and a two-year master's course for the training of executive tax officials. Only Tax College graduates who pass the test are admitted to the Tax Academy. Academic fees are borne by the state and graduates are obliged to work for one of the nation's tax agencies for a term of three years.

Therefore, the Tax Academy – unlike the Tax College – can be considered an academic institution that trains tax officials exclusively for the STC.

N.B. An ongoing human resource development system for Uzbekistan's tax agencies has been established based on the 'Basic Guidelines of the National Human Resource Development Program' of 1998 and 2001, and both the Tax College and the Tax Academy referred to in this report were set up based on these guidelines. There are three Tax Colleges located in Tashkent, Bukhara and Fergana, and one Tax Academy located in Tashkent. Both the Tax College and the Tax Academy are under the joint jurisdiction of Uzbekistan's Ministry of Higher and Secondary Special Education (herein referred to as the 'Higher & Secondary Education Ministry') and the STC, with the former responsible for education programs and curricula and the latter responsible for the allocation of teacher, teaching material and other equipment budgets.

(2) Outline of Uzbekistan's tax official education system

1) Education system prior to employment as tax official

A. Tax College (four-year secondary education, regular tax official training course)

a. Entry requirements & student quotas

The Tax College accepts students who have completed nine years of ordinary (compulsory) school education. Applicants are not required to undergo an entrance examination but are instead selected based on the results appearing on their school graduation certificate. Whole academic fees are borne by the state as the education in colleges is a compulsory education. On June of the current (2010) year overall 824 students graduated from Tax colleges, on September 851 new students were accepted and nowadays overall number of students enrolled at the Tax Colleges is 4,469.

Information on the number of the graduates and their career, on the number of the students during 3 years (2008-2010) are provided in the following table.

Table 9.1 Number of graduates and those enrolled in September 2008

Tax colleges	Number of graduates on June 2008 and their further options after graduation of college				Number of students, accepted to the college in September 2008.	Total number of the students of the 1-4 years by September 2008.
	Number of graduates	Number which enrolled to the Tax Academy	Out of that those who got employment in tax bodies	Out of that those who were enrolled to other higher education institutions or were employed to private organizations		
Tashkent	172	26	32	114	505	1740
Bukhara	136	16	20	100	241	878
Ferghana	130	16	23	91	450	1330
Total	438	58	75	305	1196	3948

Table 9.2 Number of graduates and those enrolled in September 2009

Tax colleges	Number of graduates on June 2009 and their further options after graduation of college				Number of students, accepted to the college in September 2009.	Total number of the students of the 1-4 years by September 2009.
	Number of graduates	Number which enrolled to the Tax Academy	Out of that those who got employment in tax bodies	Out of that those who were enrolled to other higher education institutions or were employed to private organizations		
Tashkent	271	24	54	193	375	1820
Bukhara	118	6	10	102	300	1061
Ferghana	192	7	23	162	421	1550
Total	581	37	87	457	1096	4431

Table9.3 Number of graduates and those enrolled in September 2010

Tax colleges	Number of graduates on June 2010 and their further options after graduation of college				Number of students, accepted to the college in September 2010.	Total number of the students of the 1-4 years by September 2010.
	Number of graduates	Number which enrolled to the Tax Academy	Out of that those who got employment in tax bodies	Out of that those who were enrolled to other higher education institutions or were employed to private organizations		
Tashkent	301	42	49	210	309	1833
Bukhara	211	6	8	197	242	1084
Ferghana	312	7	25	280	300	1552
Total	824	55	82	687	851	4469

b. Curriculum

The curriculum is comprised of regular high school education subjects and specialized tax subjects. The lessons and practical learning time allocated to each subject, school term (two-semester system) and school year are all determined based on standards stipulated by the Ministry of Higher & Secondary special Education. However, STC has a right to add some optional subjects to the curriculum.

The Tax College offers specialization in "Tax and Taxation", which divides into 2 courses: 1) the Accountant Training Course, and 2) the Accountant or Electronic Tax Form Specialist Training Course. Curriculum both courses are almost identical, except the subject "Introduction to Economics, which is the specialized subject in the 1st course and general educational subject in the 2nd.

The curriculum details of the accountant Training Course are as follows.

[General education subjects]:

2,824 class hours (44% of total class hours)

- Cultural Speech using National Language/Native Language & Culture/Russian (Uzbek)
- Foreign Languages/History/Humanity & Society/Mathematics/Information Science/ Physics/Astronomy/Chemistry/Biology
- Geology/Physical Education/Law/Introduction to Morality/Information Technology/Ethics/Family Psychology/Principles of National Independence/Uzbekistan Constitution

*Morality includes how the service to taxpayers should be by tax officials.

[General vocational subjects]:

976 class hours (15% of total class hours)

- Introduction to Economics/Business Activity and its Basics/Finance/Microeconomics/Macroeconomic
- Corporate Economics/ Law/Introduction to Tax Law/Laborer Protection and Safety Precautions/Internet Usage /Work Ethics and psychology

[Tax Specialized subjects]:

1,353 class hours (21% of total class hours)

- Introduction to the Tax system/Accounting/ Taxation of individuals/Taxation of

legal entities/Statistics/Economic analysis/Audit/Information technologies in the Tax system and workplace automatization/Construction, maintenance and modernization of personal computers.

[Elective subjects]:

460 class hours (7% of total class hours)

- Tax audits/Cashier machines/Taxation of individuals/tax debt collection/Introduction to business/Accounting and management

Theory and practice teaching 270 class hours (4% of total class hours)

Practical education: 324 class hours (5% of total class hours)

State Examination: 102 class hours (1% of total class hours)

College essential time: 171 class hours (3% of total class hours)

Total class hours: 6,480 hours (100%)

On site education on the last year of education:

1260 class hours (22% of total class hours)

Total 7,740 hours

c. Practical tax office training

2nd year students (10 weeks): practical learning on individual tax collection

3rd year students (10 weeks): knowledge-based learning on laws, regulations & presidential decrees

4th year students (34 weeks): practical learning on corporate tax collection

Under practical learning, trainees undergo hands-on training by assisting tax officials to perform their work according to a practical learning program under the direct guidance of 'Practical Instructors' appointed from the tax offices as well as teachers from the Tax College appointed as 'Practical Supervisors'.

d. Teachers, texts & other teaching materials

Tax College teachers are former graduates of the Tax Academy and other national universities (including those with practical experience). There are presently 218 teachers employed at the Tashkent and other two Tax Colleges. Lecturers are also invited from other universities on a part-time basis as required.

Texts are published both in Russia and Uzbekistan and approved by the Higher & Secondary Education Ministry. The actual lectures use lecture notes prepared by the supervising teacher based on these texts and other references. These lecture notes are stored in electronic format in the library for students to view at any time. In addition, lectures also employ the use of multimedia slides and so on.

e. Post-graduation options

Every year, around 75 students successfully sit for the Tax Academy's entrance exam while a handful of others continue their studies at other universities or enter the private sector, with the remaining accepting employment in the nation's tax agencies.

In the current year (June 2010.) number of the graduates of the three colleges reached 824 persons, out of that 55 person (7%) were enrolled to the study in Tax Academy, 82 persons (10%) were employed to the tax bodies.

Graduates are employed to the tax bodies in the capacity of ordinary staff, and after three years of service they can work in the capacity of inspectors.

B. Tax Academy (four-year bachelor's degree, executive tax official training course)

a. Entry requirements and number of students

Admission to the Tax Academy is granted only to graduates of the Tax College who have passed the entrance exam. This year (June 2010) 141 students graduated from the academy, 55 were accepted on September as new students, and there are presently 261 students enrolled at the Tax academy.

b. Curriculum

Currently, first year students study a new curriculum, others students study the old one. The new curriculum is as follows.

[Humanitarian and Social Economics Subjects]	1,704 class hours (23% of total)
•	Uzbek history; law (Uzbekistan's Constitution); philosophy (ethics, aesthetics, logic); basic culture and religion; cultural science; economic theory; sociology; education and psychology; concept of independent state (main basics and elements); political science (practical tasks and theory of building democratic state in Uzbekistan); Uzbek (Russian); foreign languages; physical education.
•	(Elective) culture of speech
[Math and Natural Science Subjects]	1,176 class hours (16% of total)
•	Advanced math; theory of relativity and statistics; mathematical programming; IT; economic math methodology and models; study of nature and ecology.
[General Advanced Subjects]	2,648 class hours (36% of total)
•	Macroeconomics/Microeconomics/Introduction to management and marketing/Audit/ Financial and management accounting/Tax management/Financial analysis/Tax accounting/Tax statistics and forecasting/Money, credit and banks/Financial markets and securities/Finance/Small businesses and entrepreneurs.
•	Insurance/Civil and civil procedure law/administrative law/business law/Criminal and criminal procedure law/Tax code.
[Specialized subjects]	660 class hours (9% of total class hours)
•	History of taxes/Taxation of legal entities/Taxation of individuals/Tax accounting/Tax audit.
[Additional subjects]	450 class hours (6% of total class hours)
•	Military Education
[Elective subjects]	706 class hours (10% of total class hours)
•	Investments and finance/History of economics/Audit/Introductions to customs/Statistics/Tax systems in foreign countries/State budget/IT in Tax system.
Total class hours:	7,344 hours (100%)
[Course work]	1188 hours
[Thesis writing]	378 hours
[State exam]	162 hours
Total	9072 hours

c. Practical tax office training

2nd year students (4 weeks): company-based practical learning on finance & business accounting

3rd year students (5 weeks): tax office-based practical learning on tax & taxation

4th year students (3 weeks): tax office-based practical learning prior to writing graduation thesis

d. Teachers, texts & other teaching materials

Specialized tax subjects are taught by former national university graduates of economics, finance and law etc. (including those with practical experience at financial organizations or tax agencies). There are currently 58 teachers at the Tax Academy, including those teaching general education subjects.

Text books are authored by both Russian and Uzbek economists and legal scholars, with most focusing on tax theory such as 'Tax & Taxation', 'Tax Theory & Practice' and 'Enterprise Economy & Tax' and only a few pertaining to practical tax matters such as 'Tax Audits'. The contents of these texts are intended for the education of students prior to employment as tax officials so they do not describe tax administration techniques but are instead largely concerned with concepts and legal procedures.

e. Post-graduation options

As a general rule, all Tax Academy graduates are employed as tax officials. After completing two years of practical experience and successfully sitting an entrance exam, graduates have the option of undertaking postgraduate studies at the Tax Academy in the form of a two year master's course. The master's course is intended to train upper managerial executives or Tax College and Tax Academy teachers etc.

2) Education system after employment as tax official

A. Employment of tax officials

While there is no regular employment period, tax officials are typically hired as needed to meet staff shortages.

In order to be considered for employment in one of the nation's tax agencies, subjects must be either graduates of the Tax College or the Tax Academy. However, tax officials may also be recruited from the general public in the event of staff shortages.

For instance, the recruitment of tax officials may also target former national university finance, economics or law graduates (i.e. those who have taken specialized tax subjects), other general university graduates (i.e. those who have not taken specialized tax subjects but who have majored in information technology etc.) and, in the event of staff shortages at district tax offices etc., general college (high-school) graduates.

Among Uzbekistan's current tax officials, there are also general college graduates who were hired before the practice of employing Tax College graduates was introduced, and university graduates who completed their studies before 2000 when specialized tax subjects were first offered.

B. Education system after employment as tax official

A) Skill enhancement education courses at the faculty of re-education and skill enhancement

a. Target students

Annually 4,000 staff undergoes courses of capacity building. All tax officials undergo a two-week skill enhancement education course once every three to five years at the Tax Academy's Faculty of Re-Education. Groups of between 20 and 35 officials are allocated according to the term, their occupation, and status as either general or executive tax officials. Based on a directive issued by the Chairman of the STC, the chiefs of each province's regional tax bureau then determine which officials will undergo training after considering the results of their interview tests as reported by the head of each district tax office under their jurisdiction. Around 4,000 tax officials are selected each year to take a skill enhancement education course.

b. Courses

Capacity building consists of 1) courses for the district tax officials; 2) courses for the heads of the departments on taxation of the natural persons and departments of tax control; 3) courses for the staff of the departments of short-term audits, 4) courses for the heads of the departments on working with the proceeds to the off the budget special funds, 5) courses for the staff of the general departments, 6) courses for the heads of region information technology departments and district tax officials, and 7) courses for the heads of district tax officials. Around 20 to 30 various courses are organized for capacity building of the average executives and the managerial staff of the tax bodies.

c. Curriculum

As an example, educational program of the capacity building course for the staff of the district tax officials is provided below.

「Subjects related to State Tax Committee」

- Normative legal acts and resolutions of the government on regulating the entrepreneurship activity, Resolution of the Cabinet of Ministers of the RUz No.413 dated 02.09.2004, ensuring security of the tax bodies' staff and fighting corruption in the tax system, role of the tax staff in fighting shadow economy, the order of calculation and

payment of the property tax for natural persons, land tax and tax for using the water resources to the state budget, the order of calculation and payment to the state budget, the income tax from the salaries of natural persons and related privileges, exchange of the experience in the Tax officials of Tashkent city.

「Subjects related to Ministry of Internal Affairs」

- Criminal liability in violation of the provisions of tax legislation

「Subjects related to General Prosecutor's Office」

- Issues of prosecutors control over fulfilling the legislative acts in the Tax bodies.

「Subjects of the Departments of the Tax Academy」

(Department of Philology) • Speech culture

(Taxes and Taxation) • Priority directions of the liberalization of tax policy, structure and tasks of the Tax Code, amendments and peculiarities of the taxation of natural persons, legal grounds of the activity of staff of district tax officials in the tax system, legal grounds of the activity of the representative of taxpayer, financial system of RUZ.

(Finance and Credit) • Foreign currency operations and its peculiarities at the financial markets.

(Social science) • Human Psychology, culture of communication of the tax officials, ideology of the Independence of the state, distinctive development path of the RUZ, priority tasks of reforming the tax system in the speeches of the President of the RUZ I.Karimov, principle of fairness in the tax system at the times of Amir Temur (XV - XVI centuries), market economy taking into account state and public interests, principles of Democracy, special features of the state administration of the RUZ and Rule of Law.

(Jurisprudence) • Economic and legal evaluation of the offences in the tax field, shadow economy.

(IT) • Modern Information Technologies and their application in the tax bodies.

Of courses other courses use the educational programs, related to the work field of the students. For example, at the course for the staff of the departments of tax audit basically focus is made on the subjects such as “Registration of the taxpayers and registration in the computer personal cards of the taxpayers-natural persons”, “order of performing and recording the results of the short-term audits”, “special features of the accounting and audit”, “accounting and financial statement of the enterprises” and etc.

d. Instructors

The course instructors are STC operational supervisors or Tax Academy teachers. Practical lectures are given by the STC supervisors while subjects such as law and social sciences are taught by the Tax Academy teachers. The STC operational supervisors are also responsible for the trainee groups in their field of expertise.

B) Re-education course at the faculty of re-education and skill enhancement

a. Background of the tax official workforce

Re-education at the Tax Academy's Faculty of Re-Education is not conducted annually on a regular, ongoing basis but rather on an ad hoc basis in any given year.

After gaining independence in 1991, the Republic of Uzbekistan established the 'Basic Guidelines of the National Human Resource Development Program' in 1998 and 2001. Based upon these guidelines, Uzbekistan set up the Tax College tasked with secondary education and the Tax Academy tasked with higher education and created a framework whereby graduates, of these two schools are employed as tax officials. As a result, graduates of the Tax College, which was originally a three-year course and later became a four-year course as of 2006, began to be employed as tax officials from 2001, while graduates of the Tax Academy were first employed as tax officials from 2005.

However, in addition to these Tax College and Tax Academy graduates, there are also

general college graduates and university graduates who did not study specialized tax subjects included among the total 12,230 tax officials currently employed by the nation's tax agencies as described in (A) above. The need subsequently arose to improve the quality of university graduate tax officials without any tax expertise so a one-year re-education program was implemented between 2001 and 2006. Some of the officials who completed the program have since been promoted to managerial and higher executive positions.

At present the ratio of university graduates in tax officials is about 70%, tax college graduates in tax officials is about 30%.

b. Target Students

A re-education course was implemented again in November 2008. Of the tax officials who have graduated from general universities and had not taken advanced tax subjects, 33 people will be selected based on their requests and areas of work. One-year training is provided to those people. In 2010, 15 people were selected for this course.

c. Curriculum

The tax officials selected to undergo the training, already possess considerable practical experience and the program will incorporate similar curriculum to that used by the Tax Academy. However, the training term of one year is short so the curriculum will be fairly limited in terms of content. As such, classes will focus solely on theory and there will not be any practical training.

[General subjects] Number of hours - 106 h. (10% from the general number of hours):

- The Idea of National renaissance, theory and practice of building democratic society in the Republic of Uzbekistan, Constitution of the Republic of Uzbekistan.

[Mathematics and natural sciences] Number of hours – 76 hours.

(8% from total number of hours)

- Economic and mathematic models of the economy, the role of the Information Technologies in economy.

[Economic and Law subjects] Number of hours – 403 hours. (39% out of total hours)

- Basic mechanisms of the marketing management, macro and micro economy, finances, money, loans and banks, financial analysis, basics of the accounting, small enterprises, audit, international economic relations, tax theory, tax management, crown law and crown-procedure law, mechanisms of audit of the tax evasions.

[Tax Special subjects] Total number of hours 423 hours. (41% from total number of hours):

- Tax management, statistics and forecasting tax proceeds, taxation of the natural persons, taxation of the legal entities, tax legislation, tax systems of the foreign countries.

Total 1008 hours. (98%)

Practice and graduate work (state examination) 18 hours. (2%)

Total 1026 hours (100%)

C) Master's course at the Tax academy

a. Entry requirements

Tax Academy graduates who have undergone two years of practical training as tax officials and who have passed certain selection criteria are able to enroll in the Tax Academy's two-year postgraduate master's course. Around 25 tax officials are selected each year to take the course.

However, the student quota has to be approved by the Higher & Secondary Education Ministry on an annual basis and the course has not been offered for the past two years. From September 2010, 24 students are studying on the courses “Taxes and taxation” and “Tax control”, 12 students in each course.

b. Curriculum

Educational programs for both specialties differ from each other, the program of the specialty Tax and Taxation has the subject Problems of macro economy in the tax system, while

program of the specialty Tax Control has subject Tax liability. Details of the educational program are given below.

[General subjects] Number of hours 756 hours. (16% from the total amount of hours):

- methodology of the scientific researches, education management, patenting, licensing and certification, pedagogy and psychology

(Optional subjects) – Foreign language, Information Technologies

[Professional subjects] Number of hours 1296 hours. (28% from the total amount of hours):

- Urgent problems of taxation, tax consultancy, tax administration, macroeconomic problems of the taxes (in the specialty Tax and Taxation), tax liability (in the specialty of Tax Control), optimization of the tax relations.

(Optional subjects) – strategy of tax policy, urgent problems of the tax system, state taxes and collections, financial accounting, taxation of the enterprises (organization) of the financial sector of the economy, econometrics, financing the investment projects, local taxes and collections (total 536 hours.)

(Integrated course aimed on scientific-pedagogy activity) – methods of scientific-pedagogy researches and their analysis, pedagogical technologies and pedagogical skills, social pedagogy (total 316 hours)

[Scientific-pedagogy activity] Number of hours 1890 hours (42% from the total amount of hours):

- scientific-research activity, scientific-pedagogical activity, preparation of the master's thesis.

[Qualification practice] – Number of hours 432. (9% from the total amount of hours):

[State Attestation] – Number of hours 162 (5% from the total amount of hours):

Total 4536 hours (100%)

c. Aim of the course

As previously stated, the aim of the master's course is to train executive tax officials to occupy managerial and higher posts within the STC organization and to train professors to teach at the Tax College and the Tax Academy.

D) On the job training

Every week in each tax agency around the nation, a half day (in the morning) is dedicated to workplace training wherein veteran tax officials explain legislation, ordinances, tax law amendments, clerical work and other relevant matters to the new employees.

9.1.3 Human Resource Management Current State of Affairs

The work on discussion and consideration of the issues on human resource management is very important from the point of view of training staff, but as the most part of the information about staff is intended for only official use, it is very difficult to identify the problems in this field.

Following is the information, obtained during the interviews with Uzbek side.

(1) Basic information on the staff (briefs)

Basic information on the staff overall country (Full name, date of birth, marital status, place of birth, education and employment records) are stored in the database of the State Tax Committee of the RUz. Information exchange is made through network and these data is updated each Friday.

(2) Unified storage of the data on capacity building trainings of the staff

For corresponding selection of the participants for the various courses of capacity building it is necessary to have unified storage of the data on the participation of the staff in capacity building trainings.

Presently upon the request of the State Tax Committee (STC), the heads of the district

tax audits provide to the relevant tax departments the list of the tax staff, which shall undergo capacity building courses. Tax Departments collect those lists and submit to the STC. Region tax departments submit the nominees for the courses of capacity building of the heads of tax offices. Therefore, all information on the attending the capacity building courses by the all staff overall country are accumulated in STC of the RUz.

Also the faculty of capacity building and re-training in the Tax Academy, where all these courses are conducted, keeps all records on the participants of these courses.

(3) Evaluation of the performance of staff

All tax body staff has their own job descriptions, based on that evaluation of the performance of this description is carried out and the results are entered to the database. As a result, through the information network these data is transferred from the tax offices to the tax departments and further to STC.

However, only performance evaluation is carried out, while his character and humanity (compliance with the position requirements) are not evaluated.

In Japan results of the performance of each staff are not evaluated in numbers (however, the results of work consequently are reflected in the form of general estimate of the performance of staff), but on the basis of their features (character, harmonicity, planning ability, leaders skills, compliance with the position requirements and etc.), that is why the evaluation form was provided to Uzbek side as a reference.

9.1.4 Analysis & Examination of Uzbekistan's Tax Official Education System

(1) Education system prior to employment as tax officials

The educational content provided by the Tax College for regular tax officials (secondary education) and the successive Tax Academy for executive tax officials (tertiary education) incorporates curricula of a general high school and university level such as law, economics and finance in addition to specialized tax subjects independently prepared by the STC and approved by the Higher & Secondary Education Ministry including long-term practical training in a tax office of up to one year based on the Ministry's Basic Education Planning Program. As such, it is essentially intended as introductory education for tax officials.

This system could be seen as advantageous in that students are able to acquire the wide range of knowledge, education, expertise and skill required of tax officials over a period of four or eight years.

As students undertake the education prior to working on practical tax matters, even the specialized subjects focus on elementary aspects such as tax systems, regulations, concepts and procedures and, with the addition of bookkeeping and computer skills, it provides sufficient preparation for their employment as tax officials.

1) Recruitment of graduates from the Tax College

As indicated in 9.1.2 (2) 1) A, on an annual basis roughly 10% to 17% of Tax College graduates go on to gain employment as tax officials, with the combined proportion of graduates gaining employment as tax officials and those continuing on to the Tax Academy standing at 17% to 30%. Therefore, simply put, the Tax College can hardly be characterized as a training institution for tax officials.

As far as tax administrative bodies are concerned, the Tax College provides education related to taxation, but is somewhat inefficient when it comes to producing tax officials. For instance, having students perform tasks required of tax officials at tax administration offices entails significant time requirements. Moreover, from the perspective of assembling a workforce, the quality of staff members likely stands as an issue when graduates of the compulsory education system gain employment without taking exams.

From this perspective, the Uzbek side feels that: ①as an institution that offers compulsory education the Tax College operates under various constraints from the standpoint of

nation-wide educational administration. For instance, the Tax College must routinely go to great lengths to accept students to maintain a balance with other colleges, and ② to a certain degree tax education, including on the job training, benefits society as a whole not only when graduates of the Tax College become tax officials, but also when graduates gain employment such as in private sector positions that involve accounting skills.

In light of the advantages, Uzbek society on the whole should likely approve of the current tax education system.

2) Hiring of recruits from sources other than the Tax College or Tax Academy

As mentioned previously, in Uzbekistan it is generally assumed that graduates of the Tax College and the Tax Academy will gain employment as tax office staff members. However, graduates of traditional universities are hired by tax administrative bodies due in part to nation-wide considerations regarding the administration of educational programs by Uzbekistan's Higher & Secondary Education Ministry, and also due to issues such as the need to maintain a balance in terms of staff assignments among other national ministries. Moreover, because district tax administration offices in local areas sometimes face a shortage of job applicants, they sometimes elect to hire graduates of institutions other than the Tax College or Tax Academy.

Currently, roughly 30% of tax office staff is high school graduates, and the remaining 70% are university graduates. If it comes to the point where a considerable number of graduates of educational institutions other than the Tax College or Tax Academy gain employment as tax office staff, work involved in tax administration will be performed by various individuals, some with a general educational background, and others with specialized education in tax administration.

As a result, it will likely be necessary from the perspective of human resource development to provide post-recruitment staff training, in the form of education, tailored to individual needs, that zeros in on individual staff member attributes such as their level of know-how, qualifications, and capabilities.

(2) Education system after employment as tax officials

Both the Tax College and Tax Academy systems have only been in place for around 10 years and the share of its graduates which occupy the current tax official workforce of 12,230 is still low at less than 10% (800 graduates of Tax colleges and 400 graduates of Tax academy).

Accordingly, any consideration of the education system both now and in the future needs to encompass not only the graduates of the Tax College and Tax Academy but the majority of other officials.

1) Skill enhancement education

The content of this training addresses a number of issues. Every time it is implemented such as current tax law amendments and particularly problematic work-related matters. The training is therefore indispensable in ensuring that the work of the nation's tax offices is performed in an integrated and appropriate manner. Except general educational subjects of Tax academy, there are some subjects related to the work of the Ministry of Internal Affairs and Supreme Prosecutors Office, making the skill enhancement courses more comprehensive. The courses targeting executives also include matters relating to organizational management such as managerial attitudes, instruction and supervision of subordinate officials and understanding their personal circumstances. The first and foremost priority of a tax administration is that it operates as an integrated organization and this training takes these points into account.

However, the two-week training term is too short and, although the constant addition of new topics to the training improves the knowledge of participating tax officials, 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 course

The aim of the re-education is to enhance the expertise of tax officials employed prior to the establishment of the Tax College and Tax Academy education system as well as those officials who graduated from other universities without any tax specialization and were employed after the system was implemented. The program began in 2001 and was discontinued in 2007 but recommenced this year in autumn of 2008. However, the number of trainees set to participate in the program is limited to 15-30 despite the fact that around 500 officials require re-education.

3) Master's course

While the number of students to be enrolled in the master's course each year must be submitted to and approved by the Higher & Secondary Education Ministry, no such approval has been granted over the past two years. However, acceptance to the Master's course is recommenced from 2010. One of the aims of the master's course is the education of Tax College and Tax Academy professors so we are concerned that the goal of continually developing a high level of instructors each year may be impeded.

9.1.5 Curriculum Improvement Recommendations

(1) Textbook development on 3 main directions of tax administration

A look at the specialized tax subjects studied at the Tax College and Tax Academy reveals that they are intended to educate students prior to actually working as tax officials. It is therefore no surprise that the Tax College curriculum is of an entry level, focusing on the introductory learning of law, government ordinances, regulations as well as tax theory, while the Tax Academy curriculum covers content of a slightly higher general and intermediate level.

In addition, practical tax training focuses on hands-on learning at tax offices and allows students to experience actual tax work and can therefore be seen to provide quite substantial preliminary education.

However, there are no dedicated subjects on tax auditing, tax collection and taxpayer services which are key areas in the administration of tax matters. Instead, these areas are simply touched upon within subjects such as 'Tax Theory', 'Tax and Taxation', 'Introduction to Tax Law', 'Introduction to Tax Payment Systems', 'Tax Management', 'Individual Taxation' and 'Corporate Taxation'. There are also subjects on 'Account Auditing' and 'Tax Audit' but they focus on the explanation of meanings, legal provisions and procedures and fail to incorporate anything resembling tax administration expertise, which is something that cannot be covered by laws and regulations alone.

This education is intended for students prior to employment as tax officials so it would obviously not be appropriate to teach specific techniques for determining omitted income and so on, but we believe it is necessary to include a basic consideration of the actual work methods which precede them.

As a result of discussion in the project, we concluded to prepare and complete practical and theoretical materials of three fields. The following texts have therefore been completed based on collaboration between the Uzbekistan Counterparts (CPs) and JICA experts.

Table 9.4 Basic content of the teaching materials on three directions

Fields	Title of the teaching material	type	level	Main topics
Tax audit	Tax Control (Tax audit)	Basic teaching material	Beginner's	Importance and necessity of the tax audit, forms and types of the tax audit, legal grounds for performing tax audit, rights and obligations of the economic entities, order of conducting tax audit in Japan, theory of tax audit in Japan, terms and their definitions, controlling questions and etc.
	Methods of tax audit	Practical teaching material	Intermediate	Preparation for the audit (selection of the audit object, checking the tax statements, collection of information and materials), tax audit (drafting the audit plan, inventory of property, checking the cashier and cash turnout, order of performing short-term audit, peculiarities of the audit of various types of activities), audit methods on the tax types, filling the protocol of audit, drafting the report on the audit, attached documents.
	Case studies (note)	examples	Advanced	Introduction of certain precedents of the performed audit.
Collecting tax debt	Tax debt and its collection	Basic teaching material	Beginner's	Simplified version of the advanced teaching aid, intended for the students of the colleges.
		General teaching aid	Advanced	Necessity, goals, tasks, legal grounds of the collection of tax debt, role of collection of tax debt in the tax system, order and periods of paying taxes, reasons of occurrence of tax debt and its prevention, order of compulsory collection (from the economic entities and natural persons), order of compulsory collection in Japan, software on calculation of the tax debt of economic entities, control questions.
Taxpayer services	Work with taxpayers	General teaching aid	Advanced	Importance of the taxpayer services, keeping record of taxpayers, record of taxpayers and keeping unified register, record by the tax bodies of the taxes and other obligatory payments calculated and paid by taxpayers, annual income declaration of the taxpayers-natural persons, institution of tax consultancy, propagating taxes and results of the questioning the taxpayers, seminars with taxpayers, Japanese experience of working with taxpayers.

(Note) N.B. A pilot edition of “Case Studies” (tentative name) has been compiled with a view to subsequent independent development by the Uzbekistan side.

(2) Elaborated teaching materials their destination

Elaborated teaching materials are designed for using in the following educational institutions.

Table9.5 Institutions where these teaching materials were will be used in three directions

Fields	Title of the teaching material	type	level	Main institutions for using
Tax audit	Tax control	Basic teaching material	Beginner's	Tax colleges Tax Academy
	Methods of tax audit	Practical teaching aid	Intermediate	Tax academy (Bachelor's degree) Tax academy (Master's degree) Faculty of re-training and capacity building (capacity building) Faculty of re-training and capacity building (re-training)
	Case study	examples	Advanced	Faculty of re-training and capacity building (capacity building) Faculty of re-training and capacity building (re-training)
Collection of tax debt	Tax debt and its collection	Basic teaching material	Intermediate	Tax colleges
		General teaching material	Advanced	Tax academy (Bachelor's degree) Tax academy (Master's degree) Faculty of re-training and capacity building (capacity building) Faculty of re-training and capacity building (re-training)
Taxpayer services	Working with taxpayers	General teaching material	Advanced	Tax colleges Tax academy (Bachelor's degree) Tax academy (Master's degree) Faculty of re-training and capacity building (capacity building) Faculty of re-training and capacity building (re-training) Seminars for taxpayers

1) The goal of using the educational material on three directions

The goal of all developed materials is achieving appropriate and fair taxation, development of the system of universal tax declaration and tax payment and ensuring the trust of the taxpayers to the tax administration, which also are the goals of the tax administration. Using these materials in the process of education will facilitate staff training in the terms of improving professional knowledge and skills of the staff of state tax service.

New educational materials are elaborated taking into account work practice in accordance with the level of the listeners, therefore, it is possible to use them fully or partially at other staff capacity building courses, as it is planned to use them during the next several years.

Besides the educational institutions listed above, these educational materials are elaborated in such manner that they can be widely utilized by the branches of STC, Banking-Finance Academy, Tashkent State University of Economy, Tashkent Financial Institute, Academy of State and Public Construction under the President of the RUz, other state universities, in central libraries and etc.

2) Using the educational materials as supplementary teaching materials

Initially the goal was set as using these educational materials as textbooks, but to incorporate them to the educational program as separate subject it is required to obtain approval of the Ministry of Higher and Secondary Specialized Education, and this procedure requires more than 1 year. That is why it was decided to use the teaching materials as a supplementary (auxiliary) teaching material at the optional lessons under the present used teaching program. In the future after long-term utilization of the teaching materials at the lessons or after introduction of the amendments to the Tax legislation it is expected that Uzbek side will revise the teaching materials and will use them as textbooks.

3) Considering the ways of utilization of the teaching materials

As a proposal on the using the teaching materials initially it was proposed to partly revise the program of the capacity building courses, through organizing the capacity building courses for new staff of tax bodies, which are the graduates of the tax colleges and Tax academy, by dividing them to the corresponding groups.

The reason behind that was differences in the education of the graduates of the colleges and academy before they are employed using the teaching material in three directions.

However, as a result of the further discussions and considerations of this issue the conclusion was made, that it is impossible to divide them into groups by their educational background and work experience, as the goal of the capacity building courses is the training them by dividing on the groups by the types of the work, functions and position hold.

Moreover, a proposal was made to add 1 lesson to everyday lessons to enable every listeners who wish, and who did not attend the lessons using these materials, to study these materials, but this proposal was also not implemented, hence the capacity building courses last only for 2 weeks, and similar topics are covered under other lessons.

However, it is proposed to further consider methods of using certain parts (topics) of the materials in the framework of existing schedule of the lessons at the capacity building courses in the future.

(3) Plan of integration of the teaching materials

Detailed plan of introduction of teaching materials on the three directions with the methods of their application in the tax colleges and tax academy is provided below.

This plan was approved in the pedagogical council of the tax college and educational council of the Tax Academy, as well as was announced and agreed at the section of the Joint Coordination Council dated November 18th 2010.

Table9.6 Plan of introduction of teaching materials on the three directions

Fields	Title of the education material	Type	Level	Introduction plan
Tax Audits	Tax control	Basic material	Beginner's	<ul style="list-style-type: none"> ○Tax colleges Department of Taxes and Taxation 2-year Subject Tax Control Number of hours (40 hours in 1-Semester and 45 hours in 2-Semester)
	Methods of tax audit	Practical material	Intermediate	<ul style="list-style-type: none"> ○Tax Academy (Bachelor's degree) Department of Taxes and Taxation 4-year Subject Methods and carrying out tax audits Number of hours (36 hours in 1-Semester) ※Will be used teaching materials Tax Control and Methods of Tax Audit jointly. ○ Tax Academy (Master's degree) ○Faculty of re-training and capacity building (re-training courses)
	Case study	Examples	Advanced	<ul style="list-style-type: none"> ○ Tax Academy (Bachelor's degree) ○ Faculty of re-training and capacity building (re-training courses)
Collection of Tax debt	Tax debt and its collection	Basic material	Beginner's	<ul style="list-style-type: none"> Tax colleges Department of Tax and Taxation 2-year Subject Collection of the tax debt Number of hours (20 hours in 1-Semester)
		General material	Advanced	<ul style="list-style-type: none"> ○ Tax Academy (Bachelor's degree) Department of Tax and Taxation 3-year Subject Tax Statistics and Forecast Number of hours (32 hours) ※This Subject commences from December 2010. ○ Tax Academy (Bachelor's degree) Department of Tax and Taxation 4-year Subject Tax forecasts Number of hours (18 hours) ※ This Subject commences from January 2011. ○ Tax Academy (Bachelor's degree) ○ Faculty of re-training and capacity building (re-training courses)
Taxpayer services	Work with taxpayers	General material	Advanced	<ul style="list-style-type: none"> ○Tax colleges Department of Tax and Taxation 1 and 2-year Subject Basics of Tax audit Number of hours (50 hours in 1-Semester and 50 hours in 2-Semester) ○ Tax Academy (Bachelor's degree) Department of Law Subject Basic of tax legislation Number of hours (28 hours in 1-Semester and 28 hours in 2-Semester) ○ Tax Academy (Master's degree)

				<ul style="list-style-type: none"> ○ Faculty of re-training and capacity building (capacity building courses) ○ Faculty of re-training and capacity building (re-training courses) ○ Seminars for the tax payers ○ Courses of training of tax consultants (organized in 8 places over all country)
--	--	--	--	--

(Note) Those educational institutions, where no information is provided on the course, subject and number of the hours of utilization of the materials at the present are planning to introduce teaching materials and considering their incorporation to their respective educational programs.

(4) Evaluation of the results of teaching materials' utilization

As it was described above, development of all planned teaching materials except the material of advanced level on tax audit (compilation of the examples of audits) are completed, the plan of the introduction of teaching materials is already developed in Tax colleges and Tax Academy and their part is already used at the lessons of this educational institutions. Development of the materials of advanced level on the tax audit (compilation of the examples of audits) is also at the stage of selection of the precedents of the tax audits and its approval by the educational council, multiplication and utilization at the lessons is scheduled for the nearest future.

Regarding the materials, actually in-use at the lessons, it is necessary to evaluate and consider the issues of achievement of the originally assigned tasks before proceeding for development of the materials and their further improvement. During the development of the teaching materials system differences, problems and tasks were identified in each field of tax administration of Uzbekistan and Japan, and coordination of these issues consumed more time.

Evaluating teaching materials and providing specific improvement suggestions regarding them is extremely difficult at the stage of having just started to use them. Nevertheless, a survey was conducted among teachers in charge of the lectures in which the materials were used and the students who took them. Most of the teachers in charge wanted a revised edition put out every three or four years reflecting changes in the law. Other wants expressed were introductions to such things as instructions and guidelines from STC when taxation laws come into effect (Tax College), a taking into account of the opinions of educational bodies that use the educational materials when revising them (Tax College), more coverage of Japan's experiences that could be drawn on in the "Overseas Taxation Systems" course (Tax Academy), and working with the Ministry of Higher Education to develop an elective course in "Collection of Tax Arrears" in order to reduce tax delinquency (Tax Academy).

Draft of the questionnaire is provided in the next page for reference purposes.

Table9.7 Questioning on utilization of the teaching materials on the three directions of tax administration at the lessons

Questioning on utilization of the teaching materials on the three directions of tax administration at the lessons	
1. Participant of the questioning poll (respondent)	
(※pls. encircle the corresponding answer (answers))	
Working place	
1. Tax college	
2. Tax academy (bachelor's degree)	
3. Tax academy (master's degree)	
4. Tax academy (Faculty re-training and capacity building)	
5. Other ()	
Full name ()	
Position ()	
2. Title of used teaching material	
1. Tax Control	
2. Methods of Tax Audits	
3. Compilation of the examples of tax audits	
4. Decreasing the tax debt (for the students of the colleges)	
5. Tax debt and its collection	
6. Work with taxpayers	
3. Information on the lessons, where materials are used	
Year () Semester () Subject ()	
Duration (frommonthyear tomonthyear)	
Number of days, used in the lessons (days) number of hours (hours)	
4. Method of using the material 1 fully 2 partly	
In case if partly, pls. specify which topics were used	
()	
()	
Brief content of the lecture.....	
5. Opinion of the teacher on using the material	
1. Content of the materials is very simply for the lecture	
2. Content of the materials correspond to the lecture	
3. Content of the materials is difficult for the lecture	
4. Content of the materials is closely related to the practice	
5. Content of the materials is not related to the practice	
6. Other opinions	
6. Students understanding level (opinion of the teacher)	
※ Teacher collects the opinion and impression of the students after lessons.	
1. Almost all students understood the content of the material.	
2. Half of the students understood the content of the material.	
3. Almost all students did not understand the content of the material.	
4. Other opinions and impressions of the students.	
7. Wishes and opinions in case of revision of the materials in the future (pls. describe below)	

(5) Improvement directions on the basis of the results of evaluation

Questioning, provided in the clause (4) shall be carried out separately on each lesson, or on the basis of the lessons, carried out during the certain time period, and also in order to make results of the questioning objective, it is necessary to carry out such questioning several times based on the conditions of the carrying out lessons or in various courses. In case if the issues for improvement will be identified from such results, the work will be carried out in the appropriate time on introducing amendments to the teaching materials.

In such cases, as it was foreseen by the present project, that, groups, consisting the specialists from STC, Tax Academy and Tax colleges will be created on each such field. Besides, it is expected that this work will be carried out through active discussion of all questions in the groups, using the skills and knowledge on compiling the teaching materials, obtained under framework of this project, and as an output of the work improved materials will be created, which will completely meet the requirements in Uzbekistan.

Moreover, it is necessary in the future to approve them at the Ministry of Higher and Secondary special education and to integrate them into official educational program in the capacity of textbooks of separate Subjects.

9.1.6 Human Resource Development Issues from the Perspective of HR management

Above we have proposed improvements to the human resource development of tax officials from the perspective of the education system. However, an important point not to be forgotten is that, that no matter how outstanding the educational methodology is genuine human resource development cannot be achieved without motivation and effort on the part of those receiving the education.

Under the current personnel system in Uzbekistan, all Tax College graduates etc. except those given the opportunity to undergo re-education are restricted to the status of regular officials in the workplace and only perform clerical taxation, tax collection and audit duties until retirement. Even those in supervisory roles are only promoted to section chief and are not considered for executive positions of division manager or above.

Tax College graduates etc. are expected to increase in the future and comprise the majority of the workforce at the nation's tax agencies. It is therefore vital to consider ways to improve the motivation of these personnel who provide the foundation of the tax administration, and to enable them to undertake their work with a sense of responsibility and enthusiasm in acknowledgement of the fact that they are each engaged in important roles which sustain the state's finances. To that end, we believe it is advisable to introduce a personnel system to recruit several of these tax officials each year into executive positions of division manager or above. These recruits would be selected after having acquired a reasonable amount of practical experience based on their outstanding expertise & skills and for being excellent leaders who also command the respect of their colleagues on a personal level. This would effectively pave the way for Tax College graduates, however few, to gain promotion to executive positions and would lead to better morale throughout the entire workplace.

But, in case if this is impossible to implement, then for the graduates of the colleges special courses of re-training could be organized, similar to the courses of re-training of tax bodies' staff with higher education (graduates of other higher educational institutions). Distinguished staff could be selected through competition and then trained during three to six months. Such method will also facilitate increasing their motivation to the job.

Needless to say, in order to raise the motivation of tax officials it is necessary to consider not only generous incentives such as salary increases and promotions for those who achieve good results in terms of work performance, but also improvements to the workplace environment such as measures to create a positive atmosphere and good organizational communication.

9.2 Tax Auditing

9.2.1 Operating Objectives

- Preparing tax auditing texts
- Proposal of operational reforms

9.2.2 Current Situation and the Problems

(1) Training material on the tax audit

After clarification at the Tax Academy availability of the training materials on the topic of tax audit, it was revealed that there is not comprehensive textbook on the tax audit and the lecturers in charge uses as a manual the compiled Russian literature.

However, teaching materials are not comprehensive manual, which includes the information on tax audit, while the main part of the curriculum consists of the lectures and discussion of the legislative acts. Such content is not enough for systematic conducting lessons on tax audit. That is why conclusion was made, that together with the theory and laws it is necessary to elaborate complex teaching material, which explains the specifics of the paperwork and technical aspects of the tax audit.

(2) Procedures of tax audit

1) Targets of audit

The audits and audits in Uzbekistan are carried out by the state bodies and are based on the Law of the Republic of Uzbekistan “On State Control of the Activity of the Economic Entities”.

Also only those entities, which are approved by the Republican Council for Coordination of Control Bodies, which coordinates the activity of the controlling bodies, may be inspected and audited by the various bodies.

(Note) The Republican Council for Coordination of Control Bodies comprises top ranking members from all ministries and is the body that approves survey projects.

Therefore the tax audit are also carried out in accordance with the mentioned law, that is why the right to take final decision on the selection of the entities belong not to the State Tax Committee, but the that Council.

The process of selection and approving the specified list of the entities for audit is as follows:

- ① Each regional tax department and tax office compiles the list of the entities expected to be inspected in the next year, then it creates monthly list and submits it to the Council.
- ② The Council considers and revises the lists, received from the controlling bodies, and makes public announcement of the monthly list of the entities expected to be inspected (through newspapers Tax and Customs News, Norma).
- ③ The Council fixes the date of conducting audit, auditing body, full name of the person-in-charge and etc., and list of the other state bodies, which are involved in the audit.

Regional tax departments and tax office compile the list of the entities for the audit in accordance with the Article 90 of the Tax Code, meanwhile as rule the audits are carried out twice a year, but as an exception microenterprises (very small enterprises with the number of employees not more than 5 or 10 persons), small enterprises (number of employees not more than 20 or 40 persons) and farmer entities shall undergo audit once in 4 years.

Thus, first of all the audit is done with regard to those entities, which were not inspected for the longest period since the last audit, however presently, taking into account drastically growing number of the taxpayers it is difficult to carry out audit within the frequency set up by the law.

Therefore the entities, which have records of good conduct of the tax declaration,

timely paying the taxes, and positively estimated by the auditing companies (functions are similar to the Japanese audit companies) are omitted from the list from the beginning. However taking into account further growth of the number of tax payers it is necessary to determine the methods of the selection (criteria) of the entities for the audit.

Moreover the important issue regarding the selection of the entities is that the right on adopting final decision belongs not to State Tax Committee, but to the Council, which approves the list and preliminarily publishes it.

In such circumstances, from my point of view the serious problem arises, when the information is received from the third party and it is necessary to conduct urgent audit.

Even in such situation it is necessary to receive the approval of the the Council and publish the list, which as a result lowers the efficiency of the audit, since the taxpayer gets to know about the planned audit and hides the real evidence.

2) Collection of the data and their usage

At present mainly following information shall be collected about the entity: ① Data on the opening the bank account in the national currency, ② data from other bodies and ministries, ③ necessary data on the individual cases and etc.

However actually the clause ② data from the other bodies and ministries mainly assumes the receiving the data from MIA, Prosecutor's Office and customs bodies.

At present there is no system of organized collection of the information, that is why even if the staff in charge sees or hears any useful information, it is not applied in the practice. Main reason behind that is the problem of admissibility of the evidence.

In other words, the most serious problem related to the information is that in the current system of the social interrelations even if the information is collected, without getting the signature of the involved person's strait at the site of the event, this information may not serve as real evidence.

3) Training in the skills of carrying out audits

For the presently working staff training course on capacity building is arranged, while at the regions the seminars are conducted once a year, which mainly inform the participants regarding the amendments in the tax legislation.

Besides, trainings for the staff are organized, which look more like OJT, than systematic training. Volunteers organize discussion meetings regarding the methods of conducting audits in the each department, which contribute to the raising capacity and technical skills of carrying out audits.

9.2.3 Implementing Operations

(1) Compiling educational materials on the tax audit

1) Important points in the compiling

As it was mentioned, teaching material, which consists all information on the tax audit, is not available, that is why it was decided to elaborate teaching material for using in the Tax Academy and State Tax Committee, and joint cooperation started with Uzbek colleagues.

Thus, this material is divided into 3 separate books, since the tax audit procedure touches the ownership right of the tax payers and citizen, and therefore refers to many legislative acts and charters, as well as contains highly specialized and technical aspects.

① Volume 1. Basic course of the tax audit

It provides collection of the laws and charter norms, related to the tax audit, also introduces Laws of Japan.

② Volume 2. Technical issues of Tax audit

It explains concrete procedure regarding the tax audit and methods of conducting audit, as well as introduces with the Japanese experience of performing paperwork.

③ Volume 3. Applied course of tax audit

Gained experience has high importance for rising professional capacities and skills

on conducting tax audit, while as an additional method it is recommended to study the cases of other inspectors, cases of submission of claims to the courts and etc. For this reason we have included to the Volume 3 the examples of conducting tax audit, samples of submission of court claim, as well as questions and answers, which may be useful.

It is also planned that the Volume 3 will be supplemented in the future by Uzbek side.

2) Using the compiled materials

Compiled material is introduced to the curriculum of the Tax Academy in the subjects Tax Control and Taxes and Tax Collection. These materials are stored in the library, that why after the lessons it can be used by the other professors and students.

In addition, besides the Master's students this material may be used by the students of the Finance Institute, Institute of Oriental Studies and other institutes, which received the copy of the material. Also it is assumed that material will be used at the training courses on capacity raising and regional seminars.

(2) Recommendations and improvement of the procedure of carrying out tax audit

In order to raise the general efficiency of the procedure of conducting tax audit, taking into account current situation, described in this report clause, it was proposed and discussed with the Uzbek side following recommendations.

1) Selection of the entities for audit

In Uzbekistan for the selection of economic entities for audit the frequency of such audits are defined, that is why excluding the small enterprises and agro firms the frequency of the standard audit is set in average as 3 years.

The advantage of such system is that from the point of view of the taxpayer it provides equal conditions at the audit, and also during the short period allows to contact many entities, which provides opportunity to carry out comprehensive study in training the tax payers. Nevertheless, profitability of the enterprises may vary depending on the time and field of activities, correspondingly, it leads to the differences both between the enterprises and between the various fields of industries. Besides, from the point of view of psychology of the taxpayer it may be stated that the enterprises with high indicators are more inclined to illegal operations.

That is why, the necessity and urgency of conducting tax audit is not unified for all entities, that is why to raise the efficiency and productivity in general it is necessary to elaborate the mechanisms of carrying out audits taking into account actual status and special features of the enterprises. In addition to that, presently due to the annual growth of the number of the tax payers in Uzbekistan it becomes difficult to follow the requirements to the periodicity of the audits, defined by the legislation.

In Uzbekistan final approval of the list of the entities, to carry tax audit shall be approved by the Council, at the stage of compiling such list it is possible to include the requests of the State Tax Committee. In this case the recommendations were done on the necessity of the revision of the system of audits under unified principle and creation of the mechanism, which shall pay special attention to the necessity and urgency of the audits.

Together with the recommendation the methods (criteria) of the selection of entities for the tax audit in Japan were introduced.

2) Using the information

The most useful in the selection of the entities for carrying out audit and implementing the procedure of the audit itself is – the information on concrete operations of the taxpayer. During the tax audit the validity of the records in the account book and financial reporting (declaration) made on its basis shall be verified. Therefore, to confirm the validity of the documents, necessary the materials, so, more such materials are available it is easier to make conclusion and the accuracy of such conclusion is higher.

There is no legal mechanism exists in Uzbekistan regarding the collection of the information in the system of public interrelations, besides the data is not considered as valid, if it does not have the signature of the source, which hinders the wide collection and usage of the data. That is why the recommendation was made on the necessity of using the real evidence for the purpose of corresponding taxation.

Together with the recommendations, introduction of the Japanese experience of working, including with the collection of the laws, related to the real data and practical methods of collection of data was carried out.

3) Interactions with the Council the Republican Council for Coordination of Control Bodies

Regarding the functions of the Council, the most important issue is the carrying out audits in the case of receiving the information on the illegal actions of the taxpayer. In such cases prior to carrying out the audit it is necessary to receive preliminary approval of the Council, then after receiving the approval the list shall be published and it allows the taxpayer to hide the evidence, as a result it undermines the efficiency of the audit.

Activity of the Council touches activity of the many bodies and ministries, that is why in this case State Tax Committee cannot have privileges. Nevertheless, the time for carrying out tax audit plays an important role, that is why for the cases when the information about illegal activities are received it is necessary to adopt urgent measures, or when special cases are revealed (for example, transactions with cash payment), it is necessary to create the mechanism of approval or notification with the retroactive effect, in which State Tax Committee is allowed to conduct certain types of the audits at its own discretion without preliminary coordination.

4) Position of the state

On the above-mentioned recommendations Uzbek side agreed partially to take them into account, but generally stand was to preserve the current procedures of carrying out tax audit, explaining their position by following reasons.

- ① In Uzbekistan tax audit are carried out in accordance with the Tax Code, which obliges to carrying out audit of the activity of all entities, except for the some entities (small enterprises and etc.) within the certain time frame. That is why it is obligatory to strictly follow this order.
- ② The level of the legal consciousness of the tax payers in Uzbekistan is still low and if the audit will be conducted on all entities, it may reveal the problems in each entity. Nevertheless the current system of the audits, which does not foresee selection of the entities taking into account existing risks, is efficient enough.
- ③ In Uzbekistan the audit of activity of the economic entities by the controlling bodies are conducted only with the approval of the Republican Council for Coordination of Control Bodies. That is why it is difficult to change the functionality of the system only related to the tax bodies, taking into account interrelations with the activity of the other agencies. However, it is acknowledged and recognized that this issue has problems and it is necessary to undertake corresponding measures.
- ④ At the time of audit of the activity of the foreign enterprises often many questions are raised regarding the selection methods and criteria, and in such cases the present system (unified principle of audits) is convenient for application.
- ⑤ Illegal actions of the taxpayers in Uzbekistan are often related not to the abuses regarding the amount of the income, but with the unlawfulness (falsification) of the right to use the mechanisms, which eases or exempts from the tax, that is why the efficiency from the using the real evidence raises doubts.

5) Measures, undertaken by the Uzbek side

Upon the above-mentioned recommendations at present following actions are being taken:

- ① Independent control over the activity of the taxpayers in the zone of the location of markets
At the markets the trade transactions are conducted by the cash payment and besides large amount of imported goods are sold, which creates serious complications for corresponding taxation. As a result of the many consultations of the State Tax Committee with the involved agencies the Resolution of the President was issued, dated January 8, 2010, which authorized State Tax Committee with the right of carrying out independent control over the activity of the taxpayers at the territory of markets. Thus it became possible to carry out audits by the decision of the State Tax Committee among the entities at the territory of markets without the decision of the Council, starting from April 2010.
- ② Strengthening the method of inter-professional comparison of tax returns
After the large-scale reform of the legislation in 2008 at the selection of the entities for audit the decision was adopted on performing the inter-professional verification of the indicators of various entities, but finally in the most cases the individual approach was applied during the analysis of the reporting of the taxpayers. The CPs decided to proactively implement comparisons of income tax returns among professionals within the same industry when selecting tax audit targets.
- ③ Using the bank information on the operations in the foreign currency
In the past the banks have been providing the information on the opening of the bank account and operations in the national currency, but in the future it is planned to create the system of receiving the data also on the operations in the foreign currency. Especially, the control and taxation of the export-import over the operations and illegal transactions will be tightened.

9.2.4 Future Course of Audit Procedures

(1) The tasks of the reforming the audit procedures for the future

In Uzbekistan Tax Code defines the timeframe for carrying audits, due to the drastic increase of the number of the taxpayers in the recent years it becomes difficult to observe such order. The audit of the economic activity of the entity serves as an important function of the tax service, which supports the implementation of the constant task of the tax system – ensuring the appropriate and fair taxation.

Besides the tax audit assumes direct interaction of the taxpayer and the official, therefore for the citizen and taxpayers it serves as valuable opportunity to evaluate the performance of the tax administration, organization of the process of taxation and the performance of the tax officers. Thus, the audits serve as a very important function of the tax service, influencing the whole system. It is assumed that sphere of economy will further develop and taxpayers' number will increase in the future, that is why the further observance of the established by the law frequency of carrying out audits seems to be difficult. The complexity of organization of the audits with the frequency, set up by the law, as well as limited number of the audits in such conditions puts on the agenda the issue of further reforming the system of the tax audit and increasing its efficiency, where special importance is given to the problem of selection of the entities for audits.

(2) Defining the main principle of carrying out audits

No absolute criteria and methods of the selection of the entities for tax audit exist. That is why at the consideration of the selection issue first it is necessary to define the basic principle of carrying out audits, i.e. the how the process of audit will be organized in general, then based on that principle selection method shall be elaborated.

It is necessary to carry out the complex analysis of the audit process, including the number of the audit making officials, number of the tax payers and tax proceeds by the types of

the taxes, distribution of the taxpayers by the fields of activity and sales volumes (categories), current economic situation and etc., and to determine how to allocate the limited administrative resources for most efficient organization of the system of audits in general.

In other words, it is important to define the main principles of organization of the activity– types of the taxes, field and scale of the activity of the entities, its sales volume (category), priority of importance and etc., in accordance with which communication inside the whole structure and coordinated organization of the audits will be made. As notions, necessary for the defining the basic principles of the audit following examples shall be considered:

- ① Unified audit of all taxpayers within the established timeframe
- ② Priority audit of the entities with the large scale activities and sales volumes
- ③ Priority audit of the persons with the high level of incomes and buyers of the large property
- ④ Priority of the audit of the subjects from the actively developing branches
- ⑤ Unified audit by the segments (audit of the all segments during the defined timeframe)
- ⑥ Remove from the list of the entities being inspected the newly created organizations, small enterprises and unprofitable enterprises
- ⑦ Priority audit of the enterprises, which was not inspected during the long period
- ⑧ Combination of above-mentioned clauses

(3) Methods of the selection of the entities for the audit

As it was mentioned above the entities of the audit shall be selected in accordance with the basic principles of the organization of the audits. As a concrete example we would like to introduce the method (criteria) of selection of Japan.

Thus, in Japan the list of the entities, listed in the order depending the sales volume and income, separately by the branches, are used for determining the basic principles of the audit and selection, based on which the selection is conducted later.

- ① The entities from the actively developing branches
In Japan each year the National Tax Agency and its regional departments compile the list of the priority sectors for audit, which includes the rapidly developing sectors, and start audit first of all from these sectors.
From the point of view of the psychology of the taxpayer more is its profit, more it inclined to the tax evasion, that is why the one of the principles of conducting audit is priority audit of the activity of the entities from the rapidly growth sectors.
- ② Entities with the large scale activities (high incomes)
Taking into account the limited number of the conducted audits priority attention is paid to the entities with the large scale activity and high incomes.
The mechanism of priority audit of the large entities eventually facilitates the efficient and rational organization of the audit procedure, and also raises the understanding of the citizen and taxpayers towards the audits and tax administration.
- ③ Using the real evidence
In Japan it is considered that most effective tool in the practice of conducting the audits is information on concrete transactions.
That is why in Japan in accordance with the Law each year it is required from the each person to submit the data on the amount of the payments on the certain type of the payments, and also the information from other bodies and agencies are received.
Besides each tax officer in the process of everyday work tries to collect as much as possible data on the transactions and enters them to the database.
The information collected on such way is verified with the financial report and

declaration and in the case of any doubts the entities shall be inspected in the priority order.

④ Buyers of the large properties

At the time of purchasing large property often used the capital, accumulated in the illegal ways. So, it is necessary to study financial reporting and declarations for the previous periods and if the questions arise regarding the source of clarified.

Particularly, if the funds were not received from the bank, but as debt using the personal ties, the vigilance shall be increased, since some times the illegally accumulated capital is masked as received as debt.

⑤ The results of the analysis regarding the certain indicators

In Japan the data from the submitted financial reports and declarations shall be entered to the computer and based on the various types of indicators are calculated.

If these data reveals deviation on various indicators, years or entities from the same sector, then the audit is assigned and the reason of the deviation is revealed.

Followings can be presented as a concrete example of the revealing the deviations:

A. Deviation by the indicators

At the time of verification of the sales volume and the cost of the sales with the previous year, the first one changed inconsiderably, while second changed considerably.

The volume and cost of the sales change proportionally. So, the difference between these fluctuation ranges looks unusual, and therefore the reason shall be clarified.

B. Deviation by the years

The big fluctuation is revealed when the coefficient of the cost of the sales (cost of the sales ÷ sales volume), coefficient of the subcontractor's costs (subcontractor's costs ÷ total income from the construction works) and other indicators are verified with the last year's indicators.

It looks unusual, because when the work structure remains unchanged, then these indicators' usually are not affected by the fluctuations.

C. Deviation by the entities from the same sector

Usually, when the products, scale of operation, geographical location are similar for the several entities, then such indicators as sales volume, rate of return (income÷ sales volume) shall be same. If serious deviations are revealed on them, then the audit shall be carried out and the reason shall be clarified.

(4) Collection and practical use of information

As it was stated, the real data is of great importance in Japan due to the following reasons. The tax audit is the action which verifies the validity of the records in the account book, the income specified in the declaration and etc. To confirm the validity of the documents, necessary the materials, so, more such materials are available it is easier to make conclusion and the accuracy of such of the received results is higher. That is the importance of the real data.

In Uzbekistan the collected information cannot serve as evidence if it does not have the signature of the involved person, but even in such case it may serve as material for verification of the validity of the records in the account book and declaration.

In the case if after the analysis of the accounting documents on the basis of the collected data any doubt raises, then even despite the fact that such data does not have any evidential effect and direct taxation is not possible, it is possible to reveal illegal actions by other methods. Repeating several times such actions it allows realize the need and efficiency of the real data.

Therefore, in the future Uzbekistan will have to raise the issue about the role of collection and utilization of data.

9.3 Tax Collection

9.3.1 Current Situation

(1) Compiling data on tax collection

- A. Determined tax collection amount (total amount of taxes the taxpayer should declare and pay)
- B. Amount of tax arrears and rate of occurrence
- C. Amount of collected tax arrears
- D. Non-payment deficit (writing off of bad tax debt)

We have been advised that the above data cannot be disclosed so far.

(2) Main causes of tax delinquency

- A. Frequent lack of sound understanding about the details of the Revised Tax Code (enforced from January 1, 2008)
- B. Delays by taxpayers in recovering monies from debtors

(3) Processing of tax arrears (number of cases)

While we are unaware of the precise number of processed tax arrears cases due to the non-disclosure of this data, we perceive from having spoken to concerned parties that tax arrears occur quite frequently so it appears that around 10% or 20% of these cases are petitioned to the courts.

(4) Managing tax arrears processing

- A. When an account is certified as delinquent, tax bills are printed out from the computer across the board and sent to delinquents.
- B. When delinquents receive tax bills, the tax officials in charge meet mainly with large-lot delinquents to encourage them to make payments.
- C. Bad tax debt is managed specially. In addition, a quarterly plan is prepared for the processing of tax delinquents with cumulative arrears.
- D. Managers (section chiefs) are responsible for managing tax delinquents as well as issuing instructions and supervising work progress with the ultimate aim of reducing the balance of tax arrears, although we are not aware of specific details.

(5) Role of tax collection officers

- A. Individual taxpayer supervision
 - a. Each officer is responsible for a particular district and is tasked with meeting with taxpayers and directly issuing tax settlement demands as well as sometimes issuing payment reminders. Officers also take receipt of tax payments.
 - b. There are many financial firms in the nation's urban areas so officers only directly issue tax settlement demands in these areas and the taxpayers are responsible for submitting tax payment receipts to the district tax bureaus.
 - c. There are reportedly around five or six officers in small district tax bureaus and about 200 in large district tax bureaus.
- B. Corporate taxpayer supervision
 - a. The corporate supervision department contains compulsory collection officers. These officers send tax settlement demands and, in the absence of payment, carry out proceedings for filing petitions with the courts in accordance with the law.
 - b. There are reportedly around three of these officers in small district tax bureaus and about five or six in large district tax bureaus.

(6) Contact with taxpayers (reminders for settlement of tax debt)

- A. Individual taxpayers

Taxpayers who fail to pay their taxes are reminded several times to pay their taxes

directly. No particular records detailing the contents of exchanges with taxpayers are made after issuing these reminders.

B. Corporations

a. Tax delinquents are summoned to the tax office and issued with a tax settlement demand and the signature of their representative or accountant is obtained. However, this practice does not target all tax delinquents. No particular explanation of the tax agency's collection procedures is provided because it appears on the demand.

b. Efforts are made to conduct direct interviews with frequent tax delinquents, during which time a repayment is issued, a payment date is scheduled and delinquency charges levied. An explanation is also provided to the effect that the matter will eventually be submitted to the courts in the absence of payment.

c. Contact is also made upon the collection (forcible seizure) of monies due to taxpayers from their own debtors.

d. No particular records are made detailing the contact with taxpayers.

(7) Court petition procedures

a. A copy of the tax settlement demand is submitted to the courts together with a report (declaration) and attached documents (a detailed list of the taxpayer's property is attached to the balance sheets.)

b. The documents relating to the tax settlement demand contain various information so the collection officer passes them on to the courts without re-checking their details conducting a property investigation.

(8) Investigations for tax collection

a. A special department of the STC conducts investigations on heinous tax delinquents. These investigations require the authorization of the Coordination Council.

b. Investigations for the purpose of collection of tax arrears are conducted by a legal officer of the court.

(9) Tax collection training

a. Tax officials in charge of natural persons can participate in seminars offered early in the year on the topics of tax code revisions, tax rate revisions, and others. They may also participate in special seminars.

b. The corporate tax collection officers can participate in two courses offered at tax collection seminars, namely the Tax Calculation Officers and Compulsory Seizure Officers courses, as well as special seminars on legal amendments.

(10) Others

a. Only a short time has passed since the Revised Tax Code came into effect so there seems to be some confusion among taxpayers.

b. The nation's tax agencies seek to prevent tax delinquency by hosting seminars and through public announcements in tax-related newspapers.

c. The actual work is carried out in accordance with STC's directions, but there is nothing in the way of a manual. Furthermore, there are presently no specialized teaching materials combining both the theory and practice of "forcible collection" as based on current laws.

9.3.2 Issues to be Examined

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 examine in particular.

(1) Increasing the amount of the taxes paid on time

In Uzbekistan to prevent the tax debts the public is informed through magazine of Tax News. Beside on the time of submission of the statement to the Tax Service, the taxpayers are obliged to specify the date of payment, therefore taxpayers are fully aware about the deadlines.

At the enterprises the accountants are responsible for all operations starting from the financial accounting to compiling the tax statement. That is why their level of tax literacy and culture is considered to be high. On the other hand, natural persons face certain difficulties due to the low tax literacy and lack of the available bank institutions in the regions.

Except for the enterprises and companies, which have necessary resources for payment of the taxes, the small and medium size enterprises as well as natural persons shall take following actions to prevent tax debts.

1) Bank-transfer tax payment system

A. 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.

B. 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

A. Description

- a. It is different from the saving deposit account, when under agreement between the depositor and bank every month certain amount is transferred to that account.
- b. The taxpayer, who opened reserve deposit account for payment of the taxes, may upon his/her own discretion put any amount at any time. For example, every week (month) transfer to that account few percent from the sales (income) of the previous week (month).
- c. In such case the interest on the deposits is higher compare to the deposits of regular deposit accounts and are not taxed. However, in case if the funds from this deposit account are withdrawn and used for other purposes besides the payment of the taxes, then the income tax shall be paid from the interest rate.
- d. In case of using the reserve account for payment of the taxes the necessary documents (invoice for the payment and etc.) shall be submitted to the bank and bank shall be assigned for payment of the taxes.

B. Advantages

- a. Even in case of the deadline for the payment of the taxes, the taxpayer does not need urgently look for the necessary amount of the money, since the payment will be done on-time.
- b. Using the reserve account considerably affects in the terms of raising the tax culture of the taxpayer.
- c. In case if such scheme will be applied in conjunction with the system of payment of the taxes through bank transfer, it will almost completely prevent occurrence of the debts.

3) Compulsory submission of tax certificate

A. 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. Tax payer shall be obliged to submit this certificate at the time of participation in the tenders, receiving the credit from the bank, or, for example, for settling down in the new housing.

B. Advantages

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

(2) Increasing the amount of processed (collected) tax arrears

In Uzbekistan to the debtor, who has overdue tax payments, shall be forwarded “invoice for tax debt”. In case if the enterprise cannot prepare necessary funds after receiving such invoice within 30 days, the claim shall be forwarded to the Economic Court. Besides, in case of natural persons, if the debt is not paid back within 10 days after receiving the invoice, the claim shall be forwarded to Civil Court. However there are no clear rules, which determine when and within which timeframe the “invoices on the tax debt” shall be forwarded to the debtors.

Therefore till the moment when the tax inspection forwards to the debtor the invoice, the staff-in-charge shall remind from time to time about the debt to the debtors.

Persons-in-charge responsible for the work with enterprises, communicate permanent and large debtors, reminding them on the need to pay back the debt. Also when working with the natural persons they remind about the debt personally to each debtor. In average each staff services large number of the cases, at the same time outside the central part of the city the debtors location is quite scattered. Moreover the debtors often are not available at their location, which creates addition trouble and increases the vole of the work.

In order to increase the efficiency of the performed activities following measures are proposed.

1) Intensive notification through calling

A. 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.

c. Main points of the manual

- Date and time of the call
- Verify, who answers the call – debtor himself, (director, accountant) or the related person.
- During the talk with the debtor, the deadline for making payment over the debt shall be agreed.
- In case of the debtor is not available, the message requesting urgently call back shall be left. In case if there will be no calling back within few days, repeated call shall be made to remind the debt.
- In case if within the agreed period the debt was not repaid, the debt shall be reminded to the debtor once more time.
- The debtor shall be warned that, if after several calls the payments will not be done, he/she will be forwarded the “invoice on tax debt”. At the same time it shall be notified that in case if the debt will not be paid back within the certain time period after the forwarding the invoice, the claim to the court will be submitted.
- All these actions shall be registered and used as a data in the consequent calls and etc.

B. 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) Intensive reminder over the phone in the evening time

Nighttime phone call reminders are implemented for tax delinquents who are not home

during the daytime. The call shall be made in evening time in the same manner as in 1).

9.3.3 Medium and Long-term Perspectives

The places for making the tax payments are limited to tax office and bank. Taxpayers may face the problems, when there is no payment outlets are available in the vicinity, as the payment in the remote tax office or bank takes time, or on the contrary, due to the specifics of the job the tax payer cannot find free time at all, which consequently may lead to the occurrence of the debt.

In such case the most important function of the state is solving this problem and creating the favorable conditions for the payment of the taxes. Removing such obstacles increases the tax responsibility of the tax payers. The examples, given below are applicable to the practice subject to the well-developed system of e-declaration and creation of the developed system of servicing. Moreover, in order to be able to make the tax payments in the nation-wide retail stores, it is necessary to develop the sphere of the consumer services and emergence of the companies, able to create the network of the shops outlets in each corner of the country.

(1) E-payment (direct payment)

If the application is preliminarily submitted to the tax office, then after filling the e-declaration on tax with specifying the deposit account, it is possible to make instant payment by just pushing the button or set up the date, in that case the each time the date will occur the bank transfer will be done.

(2) Convenience store tax payment

The debtor may perform payment of the taxes in the nearest convenience store based on the invoice with the special bar code, which was forwarded to or received by debtor at the tax office.

Reference Material:

'Introduction of Tax Arrears Processing in Japan'

1. Administrative Operations

(1) Assigning the tasks at the level of the regional tax departments

Regional tax administrations set up annual or short-term (in average 3 years) tasks on liquidation of the tax debt to the jurisdiction tax offices. For example, ① decrease the amount of the remainder (number of the debtors) on the tax debt compare to the last year, ② First of all deal with the large and fraudulent non-payers, ③ Pay priority attention to the positions with the largest amounts and most largest number of the debtors in each tax categories, ④ First of all to process the cases, transferred from the last year, ⑤ Allocate the volumes of the work depending on the amount of the taxes or number of the debtors and etc.

(2) Draft a plan of the paperwork in each tax offices

A. In each tax offices in accordance with the tasks, assigned by the regional tax department, the head of the division on compulsory collection of the tax payments (hereafter, head) compiles the plan of action taking into account current conditions, keeping in mind the amount of the debt under the responsibility of the tax office, number of the debtors, number of the engaged staff, specifics of the target section (many residential buildings, natural persons, enterprises, trade zones and etc.), number of the working days, last year's indicators and etc. Plan shall be compiled in 2 forms – annual and monthly. Meanwhile the annual plan shall be agreed with the head of the tax inspection.

B. For implementing the tasks of the annual plan the head of the division shall ensure full information of the subordinated staff with the contents of the plan: the basic principles, justification of the assigned tasks and etc.

C. Head of the division on the basic of the annual plan shall compile monthly plan, and after approval by the head of tax office shall deliver its content to all his subordinated staff.

D. Discussion of the results of the work for the year are conducted twice a year – every six months, with participation of the head the evaluation and discussion is made, after that the plan shall be revised or changes shall be included to the monthly action plan.

E. Discussion of the results of the monthly plan shall be organized in the same order as the discussion of the annual plan.

F. Following points shall be included to the annual plan:

① Basic principles and tasks

② Priority tasks for each quarter

③ Plan of collection of tax debt (remainder from the last year, new cases of the debts, liquidated cases, percent of the collection, outstanding debt - on all these points the plan shall be drafted depending to the amount and number of the debtors)

④ Plan of the implementation of administrative work (on the site work, office work, training and other obligations)

(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.

The records of the work performed during the day, specifying in the established by the law manner the amount of the debt and number of the debtors shall be registered in the book. For example, ① Day 1 on the site (visiting) work, or half day of office work, ② Amount and

number of the debtors in confiscation the property, ③ Amount of the tax and number of the debtor in secondary liability, ④ Amount of the tax and number of the debtors in postponement of the payments due to the selling the confiscated property, ⑤ On-the-job training, ⑥ Number of officials in charge of requesting to pay back the debt.

(4) Full control over the work progress

Head shall carry out general and individual control over the progress of the work, observing the implementation of annual and monthly plan. Meanwhile he/she checks the registry book of each staff and results of the work on individual cases during the everyday reports (record of the work, which was carried out directly with the debtor), while in case of the problems he/she individually considers the case and adopts the decision on the further actions.

2 .Tax Arrears Call Center

① 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.

② As a rule, official request to pay back the tax debt is presented to the persons with the minor tax debt, however at present in practice this is applied to all debtors, excluding the debts in the extra large amounts (they are forwarded to the regional tax departments).

③ They are conducted about 1 week after the demand has been issued.

④ The number of the requests for 1 day is fixed by the staff-in-charge, after that the data on the debtors is communicated to all officers-in-charge. Upon pushing the button at the terminal the system automatically dials the call. In average 1 officer processes around 120 cases per day.

⑤ Excluding the chief staff-in-charge, the work involves around 20 staff members and around 30 out-of-staff members.

⑥ 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.

⑦ 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.

⑧ 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.

⑨ Working officers have different record of service in the field of taxation. For the newcomers in this field two weeks training on how to work in accordance with the instruction and operation of the electronic terminal are organized. Besides there is practical training when the newcomers paired with the experiences officers study the skills of daily work.

⑩ 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 on Raising the Professional Level and Motivation of the Staff

(1) Increasing the professional level of the staff

Following types of training with the practical orientation, including mainly the skills of conducting paperwork on collection of the tax debt, are conducted.

Meanwhile the on-the-job training in the tax offices are conducted upon the necessity.

① After employment to the Tax service the officers are undergoing training course at the National Tax College on special subjects, and after that they are dispatched to work to the tax offices.

② During the one year they are dealing with internal paperwork, then after getting the general understanding of the procedure of paperwork on collection of the tax debt they proceed to practical (external) work.

Various training courses, oriented on teaching the practical skills of work: courses for the beginners at the regional tax offices, district tax offices and etc. are organized. Besides, in each tax office the staff in charge of professional training, conduct trainings on the job (assigning work on collection of the tax debt), simultaneously psychologically training the staff. In such cases, for development of the practical skills of the inexperienced officers the training program is supplemented with the discussions of the legislative acts, official documents or case studies.

③ Training for mid-level and senior tax officials is operated by the National Tax College (NTC) and regional tax bureaus according to rank.

④ 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

① 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).

② The National Tax Agency (NTA) and regional tax bureaus also confer awards for outstanding new ideas and suggested improvements relating to administrative operations.

③ 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

① Decline in sales and deterioration in cash flow due to economic downturn

② Temporary suspension or cessation of the operation of companies

③ Difficulty in borrowing funds due to strict bank loan criteria

④ When the funds, intended for the payment of the consumer taxes and income tax, withheld from the salary, are used by the owner for current operation of the company

⑤ Insufficient tax literacy on such issues like, intermediate payments, additional tax payments (such as, arrears, fines and etc.)

⑥ Using monies intended for tax payment for living expenses or loan repayments

(2) Measures to encourage timely tax payment

① Raising awareness through public relations (PR)

② Requesting tax accountants to advise their clients of payment deadlines

③ Encouraging individuals to use the automated bank-transfer tax payment system

④ Informing about the deadline for payment of the taxes through forwarding post cards and making phone calls

⑤ Phone-based reminders by section chiefs in the regional tax bureau's Corporation Taxation Division to companies with a history of tax arrears

⑥ Enabling payment of taxes at local convenience stores for taxpayers whose workplace is far from the local tax office or bank

⑦ 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

⑧ 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 supervisor⁴.

- ⑨ Also indirect importance has the system of confirming the payment of the taxes. For example, for the tenders and getting the credits from the bank it is required to submit the certificate about payment of the taxes, therefore such persons avoid having tax debt.

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.

- ① Written payment reminders are issued every 3 months
- ② 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.
- ③ For those, who are not able to pay at once, but ready to repay the debt in installments, plan of partial repayment of the tax debt shall be created (the form of the plan is approved by the Regional tax department), on which the taxpayer shall put signature and stamp.
Meanwhile the period of repaying the tax in installments is not specified in the legislation, therefore the deadline for the repaying is fixed in average up to 3 months.
- ④ 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.
- ⑤ 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. After passing of the certain time (each quarter) the written requirement is forwarded on repaying the debt.
- ⑥ The period of limitation on the tax collection is 5 years, that is why before its expiry measures are undertaken to suspend the running of the period of limitation.

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). Thus the cases from the category ① are considered in the first priority. The debtor is sent the request on repaying the debts, in case if there is no probability of the repaying within short period, then necessary documents are prepared and the case is transferred to the special division of the debt collection under Regional tax department.

(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) Actively develop systematic work on collection of the debt – by groups or pairs; h) promoting public auctions of seized assets.

9.4 Taxpayer Services

9.4.1 Key Issues of Taxpayers' Services

(1) Special features of taxpayer's services in Uzbekistan

1) Definition of taxpayers' services

According to the inception report the present project shall make contribution to the appropriate management of the tax system through development of the program of training staff and proposals on their improvement, which are aimed on training and professional capacity building of the officers of tax services.

These actions include issues on the improvement of the Program of training of staff on 3 directions: tax audit, taxpayer's services and collection of the payments.

However, regarding the taxpayers' services the notion service, servicing is interpreted differently in different countries, that is why at the initial stage of the project, it was stated that it is necessary to give definition to the taxpayer's services in Uzbekistan and to study the current situation and define basic principles of the taxpayer's services, fitting to Uzbekistan.

The Project started from the discussion "There is such notion as taxpayer's services exist, does such notion applied in Uzbekistan?" Further through discussion of the meaning of the notion "service, servicing" the order of practical implementation of the functions of the tax service was studied. Moreover we have tried to study the activity of the tax bodies in Uzbekistan, which is been implemented in practice.

As a result we were convinced that taxpayers' services are executed in Uzbekistan, mainly in the form of providing information. It was also revealed that actively measures are being taken on development of the system of tax accountant and raising the tax literacy through tax education.

Such result was already predictable. In other words, the final goal of the work of whole tax system is aimed on ensuring the lawful fulfillment by the all citizens their obligations on declaring the income and payment of the taxes, that is why taxpayer's services are mandatory function.

Taking into account this circumstance we have provided following definition to the notion of "taxpayer's services" – "provision of the information, individual assistance and creation of the necessary conditions by the tax bodies, in order that taxpayers could independently execute income declaration and pay the tax payments". Therewith we have understood that it also includes creation of the necessary external conditions, for example public system.

2) Taxpayers' services in Uzbekistan

Concrete types of the taxpayer's services are described in detail in the attached Teaching materials. The following table shows only main content on each clause.

Table 9.8 Brief description of the taxpayers' services model

Category	Target taxpayers	Types of activities	Main tools
Support of taxpayers	Informing all citizen	Information campaign on reporting on the amendments to the tax legislation, on the issues of application of the laws and etc.	Mass Media (radio, television, newspapers, periodical publications and etc.)
	Assistance to individual tax payers	Assistance in passing through the tax procedures Consultations on the occurred problems	Seminars for the taxpayers
			Service at the tax body information bureau
Preparation of Environment	Creation of the necessary conditions Rendering necessary services to the needed taxpayers	Reform of the public system Creation of additional convenient conditions	Development of the system of training of bookkeepers on tax accounting Using Internet Spreading the e-system of income declaration
	Next generation taxpayers	Establishing the link with the school education	Tax education

(2) External changes and responsive measures

1) Swift changes

In any country of the world conditions of the operation of tax system are affected by the swift changes.

Of course the changes affect other fields as well – expansion of the economic activity in the global scale, complication of the tax system, as well as the changes in the consciousness of the people regarding the system of the values and taxes. Also it is impossible to forget about the technical progress in the everyday life, which is resulted from the swift spreading the information technologies. Computerization of the office work, income declaration through the Internet and many other technological innovations are able to change system of the interrelations between the tax bodies and taxpayers.

2) Measures, undertaken by the tax bodies

Such changes further increase the work load of the tax administration and lead to emergence of the types of complicated procedures.

In such situation increase of the workload of the tax bodies both in the terms of quantity and quality is unavoidable. On the other hand tax bodies have limited resources (staff and budget). I would request to imagine how much resources are necessary to the tax bodies (staff and budget), if the responsibility for ensuring the lawful execution of the tax obligations by all citizens shall be assigned exclusively to the tax bodies.

Tax bodies are not in the position to execute this mission without assistance by the

citizen in the form of voluntary paying the tax payments.

3) Transformation of the consciousness

There is an opinion that unlike to the tax offices and collection of the payments the improvement of the system of taxpayer's services will not lead to increasing the collections or to decreasing the tax debts. In the short term perspective it seems exactly like that, however this is misunderstanding.

Mandatory condition for the operation of the tax services shall be voluntarily fulfillment of their tax obligations by the taxpayers, otherwise it is impossible to ensure order in the tax system neither trust towards it.

It is important to understand that one of the important functions of the tax body is raising the consciousness of the tax payers and their tax literacy, as well as building the society, where order is observed regarding the payment of the taxes (that is also the goal of the taxpayers' service).

9.4.2 Future Direction

At the discussion of the further course of the development of the tax system it is rational to observe following fundamental principles.

(1) Applying traditional measures

One of the principles – further strengthening traditionally applied measures.

Certain elements of the system of taxpayers' services in Uzbekistan were traditionally formed under framework of the unity and activeness of the citizen during the long period of time.

For example, at the seminars, conducted in the cities and districts, it is not only informing the payers by the representatives of the tax service, but also gathered citizen actively ask concerning them questions and exchange opinions.

Besides, activity of the tax services at the mahalla level is based on trusted relations between the local community and tax body, which represent big value.

Thus, it is necessary to apply approach, aimed on strengthening and improving the practiced up to present traditional types of servicing taking into account modern conditions with the high efficiency for the tax services and with huge benefit for the citizen.

It is assumed that such practice is continued to be implemented till present day owing to the fact that it was formed taking into account actual needs and its efficiency was proved. Taking into account latest trends of the society and consciousness of the taxpayers it is important to revise existing system, at the same time paying important attention to the traditions and supplementing them with modern types of the services. This eventually will give high value as a new tool for taxpayers' services.

(2) Introduction of new measures

One more approach – creation and introduction of the new types of services for taxpayers. It means creation of the new system, meeting the external changes and needs of the taxpayers.

Informing the population and e-declaration of the incomes through Internet as well as development of the system of tax accountant could be the typical examples. In addition it is possible to improve related to them base mechanisms of control over the tax payers.

On all mentioned above examples the certain work is already going on in Uzbekistan. However, in order to develop the taxpayer's service to the desired level it is necessary to introduce new types of the technologies and equipment, to modify the system and many efforts in this direction. Meanwhile it is necessary to approach to this activity decisively and persistently.

(3) Observing the rights of the taxpayers

Taxpayer's services are aimed on ensuring the fulfillment of the tax obligations through the active participation of the taxpayers.

For this purpose it is necessary to build a system of tax administration, where the acting person shall be taxpayer, and gain the trust of the taxpayers towards the work of the tax bodies.

For the implementation of this goal it is not sufficient just to reveal and provide services, which taxpayers are expecting from the responsible tax services.

Taking into account that taxpayers are expected to fulfill the tax obligations, it is necessary clearly to determine their rights and obligations, and also inform in appropriate manner.

Moreover, if in practice the cases of violation of the rights of the taxpayers were revealed, then clear mechanisms ensuring the fair legal assistance are necessary.

It is also necessary to take into account, that in Japan in the framework of the measures undertaken for the creation of the necessary conditions of the taxpayers' services the discussions are going on about adopting the Charter of the taxpayer and the procedures on registering the complaints from the taxpayer's side.

9.4.3 Proposals for Specific Measures

(1) Start from the executable measures

The recommendations on the improvement of the activity of tax services, discussed in the framework of the project is attached as an example.

Table 9.9 List of the recommendations on improvement of the activity (simplified table)

No	Point	Brief content	Recommendations	Final goal
1	Organization of more efficient seminars	Take measures on ensuring the efficiency of the conducted seminars from view point of tax bodies and high level satisfaction of the payers	<ul style="list-style-type: none"> • Recording of those who are present • Preparing lecturers • Development of the teaching material, improvement of the teaching methods 	Seminars shall be paid appropriate attention as the traditional channel of transferring the information in Uzbekistan
2	Preparatory measures, aimed on implanting the system of training the tax accountant	Till the moment when the system of training tax accountant will be improved and implanted sufficiently, it is necessary to undertake preparatory measures on solving the current issues and further development of this system	<ul style="list-style-type: none"> • Capacity building training courses for tax accountant • Creation of the intermediate (temporary) system of certification of the tax accountant • Information campaign on this system • Raising social importance of the Association of tax accountant 	Present time can be considered as beginning of the transition period to this system. It is necessary to carry out preparatory works, necessary for transition period.
3	Creation of the organization of taxpayers	Creation of the volunteer association of the taxpayers: Union of enterprises, Association of taxpayers – natural	<ul style="list-style-type: none"> • Goal (tax administration) (payers) • members, organization, financial accounting 	Often the group of entities, facing same tax problems, also has other common problems (business management and etc.).

		persons	<ul style="list-style-type: none"> • field of activities, management, control and etc. 	
4	Fixing tax week	Announce certain period as Tax Week and organize intensive informing the population and organize other events on tax system.	<ul style="list-style-type: none"> • Goal of the Tax Week • register in accordance with law • Main acting persons • Examples of the conducted measures 	It is necessary for many citizen to conduct events, which may raise interest and understanding of the tax system
5	Improvement of the information through the periodical publications	Raise the level of trust of the citizen to the publications and use them as a main channel of information transfer	<ul style="list-style-type: none"> • authorize publication of the articles • set up rules for publication through the external sources 	It is most efficient mean for informing the citizen on special issues
6	Creation of the system of collection of the questions and opinion of the citizen	Create the system of unified control at the time of receiving the questions, opinions and citizen's complaints and apply them in practice	<ul style="list-style-type: none"> • Receiving the questions, opinion and complaints • Setting rules of unified control 	Questions, opinions and complaints of the citizen serve as important information.
7	Measures on spreading and implanting the tax education	It is necessary to expand opportunities for out-of-school tax education	<ul style="list-style-type: none"> • activity of the organizations, which link related agencies • Examples of the activities • Management 	Participation of the STC in the process of school education facilitates the raising the consciousness of all community regarding the taxes
8	Creation of the convenient conditions for the citizen through correct organization of the work of tax bodies	It is necessary to think how to improve organization of the activities of tax services for development of the quality of taxpayers' services	<ul style="list-style-type: none"> • Stage-by-stage development • Inspectors, combining the functions on taxpayers' services • Creation of the staff of responsible inspectors, in-charge for taxpayers' services • Creation of new system taking into account mechanisms of taxpayers' services 	Proper organization of the activity of tax services shall take into account practicability and convenience for taxpayers.

(2) Using the Japanese experience from the view point of midterm perspective (forecasting the situation for 5-6 years ahead)

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.

(3) Application of the training materials and transformation of the consciousness of the staff

Annually developed training materials are planned to use for training of 7,000 staff. It is expected that from this material they will learn following principles.

It is necessary that, at the fulfillment of their tax obligations the taxpayers as much as possible shall fulfill them independently. While tax authorities shall in their turn dispatch more staff for execution of their traditional functions, such as revealing tax drains, collection of the debts and etc.

The work of the tax administration in active participation of the taxpayers shall lead not to weakening the power authorities of the tax bodies, but on contrary to ease their load and ensuring efficient operation.

Table 9.10

Assumed number of the users of the taxpayer raining material (in accordance with the statement of the Head of the Division on training affairs in the Tax Academy)

No	Category	Objects	Assumed number	Notes
1	Students	3 and 4 th year of the Academy	150 persons	Taxes and taxation Tax forecasts
2	Current staff	Faculty of re-training Course of raising qualification	4000 persons	Whole course
3	Other Higher educational institutions	Tashkent Economic University Financial Institute Other non-specialized Higher educational institutions	1000 persons 2000 persons 200 persons	
4	Other users	Course of training on tax accounting	?	8 points over all the country
			Total more than 7,350 persons.	

10 PDM

10. PDM

Additional survey for the tax accountant system of Uzbekistan was introduced from Year 2. For that reason PDM was revised. Output6 and activity 6 is additional part. Attached PDM is the final version.

Project Design Matrix

Project Title: The Project for Improvement of the Tax Administration of the Republic of Uzbekistan Cooperation period: Mar. 2008 – Feb. 2011

Target Area: Uzbekistan

Target Group: The faculties of Tax Academy and Tax colleges

amendment: Aug, 2009

Narrative summary	Indicator	Measurement	Assumption
<p>Overall Goal STC officials develop professional skills and knowledge in the field of taxpayer services and tax audit.</p>	<p>1 The Numbers of the consultation and the customer satisfactions increase. 2 Tax audit on the due process of law conducted</p>		
<p>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.</p>	<p>1 Modified initial training program introduced. 2 Recurrent training program for Taxpayer services and tax audit implemented.</p>	<p>Minutes of JCC Report by Japanese experts</p>	
<p>Output 1. Administration of the Project is established.</p>	<p>1-1 The officials of STC, Tax academy and relevant organizations assigned as the Project members. 1-2 Annual plan of operation is prepared, and approved by JCC. 1-3 The Project monitors actual activities done, and semi-annual report submitted to STC and JICA through JCC. 1-4 Workshops held for the purpose of sharing the output of the Project.</p>	<p>Organization chart of the Project, List of CP Minutes of JCC Semi-annual report by the Project Record of workshops</p>	
<p>2. The present situation of tax administration is examined.</p>	<p>2-1 The TOR for the baseline survey of tax administration in Uzbekistan is confirmed.</p>	<p>Confirmed TOR</p>	

Narrative summary	Indicator	Measurement	Assumption
	2-2 The baseline survey of tax administration in Uzbekistan is conducted, for the purpose of analyzing the present situation. 2-3 The points to be tackled are examined.	Survey report Survey report	
3. The training programs of the Tax Academy and the Tax Colleges in the field of taxpayer services and tax audit are modified.	3-1 The present human resource development plan of STC is examined. 3-2 The present situation and the points to be solved for both initial and recurrent training program at the Tax Academy and the Tax Colleges are examined. 3-3 The modification plan for both initial and recurrent training program at the Tax Academy and the Tax Colleges are prepared.	Report by the Project Report by the Project Modified plan for the initial and recurrent training program at the Tax Academy and the Tax Colleges.	<ul style="list-style-type: none"> • The leadership of STC accept the proposed modification for training program which is based on the baseline survey. • Revised Tax code is implemented.
4 . The modified training program is implemented.	4-1 The modified training programs are delivered to the officials of STC.	Record of the training program	
5. The modified training program is evaluated, and re-modified.	5-1 Evaluation survey for the modified training programs is implemented. 5-2 Re-modification of training program is conducted based on the results of the evaluation survey.	Evaluation report Re-modification plan for the training program	
6. The proposal to improve the tax accountant system and tax accountant education is prepared.	6-1 A better understanding of the current state of the tax accounting profession and of tax accountant education is gained. 6-2 The recommendations on ways to develop Uzbekistan's tax accountant system is prepared. 6-3 The seminar for tax accountant system in conjunction with Uzbekistan's Ministry of Finance is held.	Report by the Project Report by the Project Seminar	

Narrative summary	Indicator	Measurement	Assumption
<p>Activity 1</p> <p>1-1 The officials of STC, Tax academy and relevant organizations are assigned as the Project members.</p> <p>1-2 Annual plan of operation is prepared, and approved by JCC.</p> <p>1-3 The Project monitors its activities, and compile the semi-annual report for STC and JICA through JCC.</p> <p>1-4 The Project holds workshops for the purpose of sharing the output of the Project.</p>	<p style="text-align: center;">Input</p> <p>【Japanese side】 Experts (Leader/Human resource development, Taxpayer services, Tax audit, Training materials development)</p> <p>Training in Japan</p> <p>【Uzbekistan side】 Assignment of CP Office space for the Project</p>		
<p>Activity 2</p> <p>2-1 The TOR for the baseline survey of tax administration in Uzbekistan is confirmed.</p> <p>2-2 The baseline survey of tax administration in Uzbekistan is conducted, for the purpose of analyzing the present situation.</p> <p>2-3 The issues to be solved are examined.</p>			

Narrative summary	Indicator	Measurement	Assumption
<p>Activity 3</p> <p>3-1 The present human resource development plan of STC is examined.</p> <p>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.</p> <p>3-3 The modification plan for both initial and recurrent training programs at the Tax Academy and the Tax Colleges are prepared.</p>			
<p>Activity 4</p> <p>4-1 The modified training programs are delivered to the officials of STC.</p>			
<p>Activity 5</p> <p>5-1 Evaluation survey for the modified training programs is implemented.</p> <p>5-2 Re-modification of training programs is conducted based on the results of the evaluation survey.</p>			<p>【Basic condition】 Tax policy and tax administration will not change.</p>
<p>Activity 6</p> <p>6-1 A better understanding of the current state of the tax accounting profession and of tax accountant education is gained.</p> <p>6-2 The recommendation on ways to develop</p>			

Narrative summary	Indicator	Measurement	Assumption
<p>Uzbekistan's tax accountant system is prepared.</p> <p>6-3 The seminar for tax accountant system in conjunction with Uzbekistan's Ministry of Finance is held.</p>			

Appendix

Summary of Developed Materials

Tax Audit Introductory Level

**MINISTRY OF HIGHER AND SECONDARY SPECIAL
EDUCATION
OF THE REPUBLIC OF UZBEKISTAN**

**STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN
TAX ACADEMY**

TAX CONTROL

Textbook

TASHKENT-2010

A. Tagayev, G. Ruziyev, K. Khotamov and JICA Experts. Tax Control. Textbook. Tashkent: Tax Academy, State Tax Committee of the Republic of Uzbekistan, 2010. 68 pages.

The present textbook is devoted to the tax audit, which is the one of the main forms of the tax control, and it is the introductory level of the three textbooks. In order to introduce the methods of the tax audit it provides information on the theoretical basis of tax audit, legal basis of the tax audit, explanation related to the tax payers regarding the tax audit and its implementation, with the illustrations of the Japanese experience in accordance with the current legislation.

The textbook is designed for the students of the tax system educational institutions.

The present textbook is recommended for publication by the Scientific Council of Tax Academy.

Reviewers:

- | | |
|---------------|--|
| S. Boymurodov | – Senior Inspector of the Department of improvement of the taxation methods, State Tax Committee. |
| Z. Kurbanov | – Director of the Tashkent Tax College, Doctor of Economic Sciences, Associate Professor. |
| B. Isroilov | – Head of Department of Accounting and Audit, Tax Academy, Doctor of Economic Sciences, Professor. |

Contents:

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

Introduction

At the time of the modernization of the economy, the taxes and other obligatory payments are main sources of the income of the state budget and establishing the tax control, including the tax audit over their correct calculation, transferring to the state budget fully and timely is very important.

It is necessary for the Tax College and Tax Academy students, studying the field of taxes and taxation to learn the basics of the legal, methodological and organizational control conducted by the tax authorities over the conformity of the financial-economic performance of the business entities with the tax legislation. Therefore the students shall have sufficient qualification and skills on the necessity of the tax control over the activity of the legal entities, its forms, substance of the tax audit, its importance and specific features.

The textbook, drafted by the authors and JICA experts, is devoted on these issues and particularly the textbook highlights the necessity of the tax control of the business entities, economic importance of organizing the tax audit, coordination of the audit and the order of conducting organized tax audit on the basis of the legal documents of the tax legislation. This in turn shall serve as a basis for students to get deep knowledge on the one of the methods of tax control – tax audit and its forms.

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

The taxes and equaled to them allocations to the special funds are considered to be the main income of the state budget and off-the-budget special funds. In its turn the funds of the state budget are the financial source for implementing the important tasks of the state for the society. Thus the forming the state budget incomes timely shall facilitate development of the society.

Tax Control – is the control over the taxation objects, their accounting, observance of the legal documents on tax legislation, appropriate calculation and full and timely payment of the taxes, obligatory payments to the off-the-budget special funds.

1.2. The forms of the tax control

Tax control is performed in the form of taxpayer registration, accounting the taxation objects and objects related to the taxation; accounting the incomes to the budget and state special funds; in the examination of documents and in other forms.

1.3. The substance and importance of the tax audit.

In order to understand the tax audit, its content and substance, first of all, we have to answer such question like what is “audit” itself. What is its definition?

Audit – is the control by the control bodies to the business entities according to the laws and other legal documents regulating their activity.

Tax audit is the audit of the implementation of the laws on taxes conducted by the bodies of the state tax service.

1.4. Business entities and tax audit targets to be audited

Followings are described as business entities (tax audit targets) in the Republic of Uzbekistan:

- Legal entities engaged in the business activities;
- Individual entrepreneurs.
-

Japanese experience is provided on following issues:

- Legal entities and individuals to be audited (questioned and to be audited);
- Determining (selection) of the tax audit targets.

1.5. Importance and specific features of the tax audit in the activities of the business entities

As a result of organizing the tax audit the control over the observance of the tax legislation documents by the taxpayers, correct calculation, full and timely payment of the taxes to the budget and state special funds, as well as correct and fully calculation and timely transfer of the pension fees to the personal pension accounts of the citizen is ensured. At the same time it allows to prevent, reveal and resolve the tax related violations by the tax payers.

Therefore tax bodies are conducting various tax audits to ensure execution of such tasks and assignments.

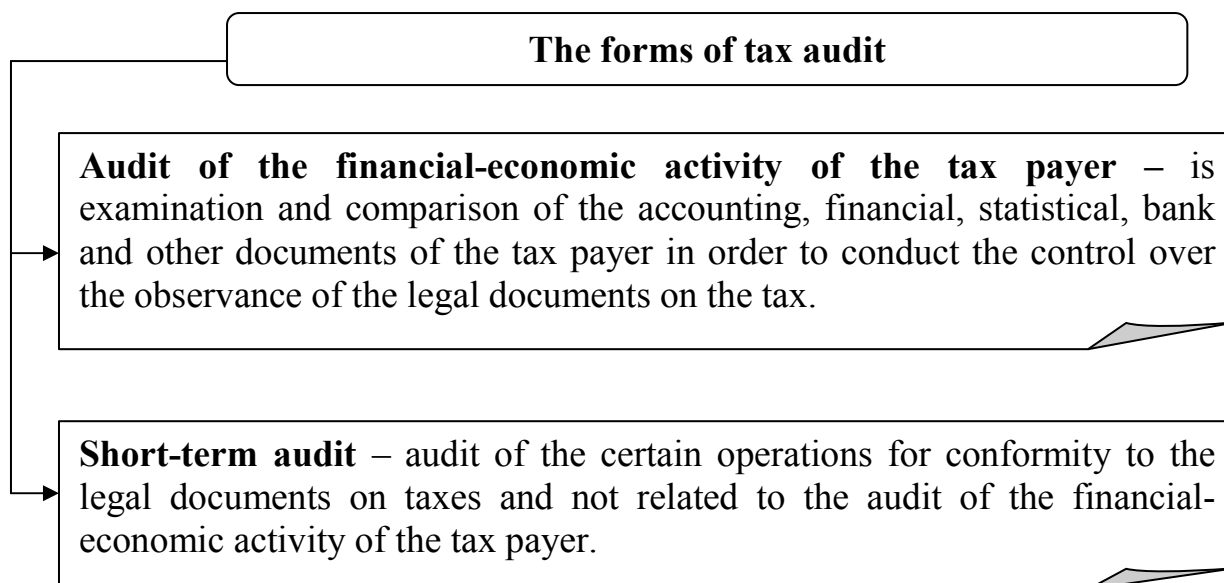
Experience of Japan

In Japan payment of the taxes are conducted through submission of the declarations and in accordance with this system, as it was mentioned above, each tax payer on the basis of the law shall calculate average taxation basis and tax amount. In this country the accounting of the taxes and other obligatory payments are conducted by the taxpayers. It applies submission of declaration method in the tax payment. In accordance with this method the tax payer shall calculate each tax and obligatory payment by himself and after determining the payment amount shall submit the declaration. Actually submission of the declaration, determines the tax debt of the tax payer, which in turn determines its amount and leads to the obligation to pay the debt, which in turn gives to the tax body the right to collect this debt.

II. THE FORMS AND TYPES OF TAX AUDIT

2.1. The forms of tax audit

The tax audit is the audit conducted by the state tax service bodies in order to control over the observance by the business entities the legal documents on tax.

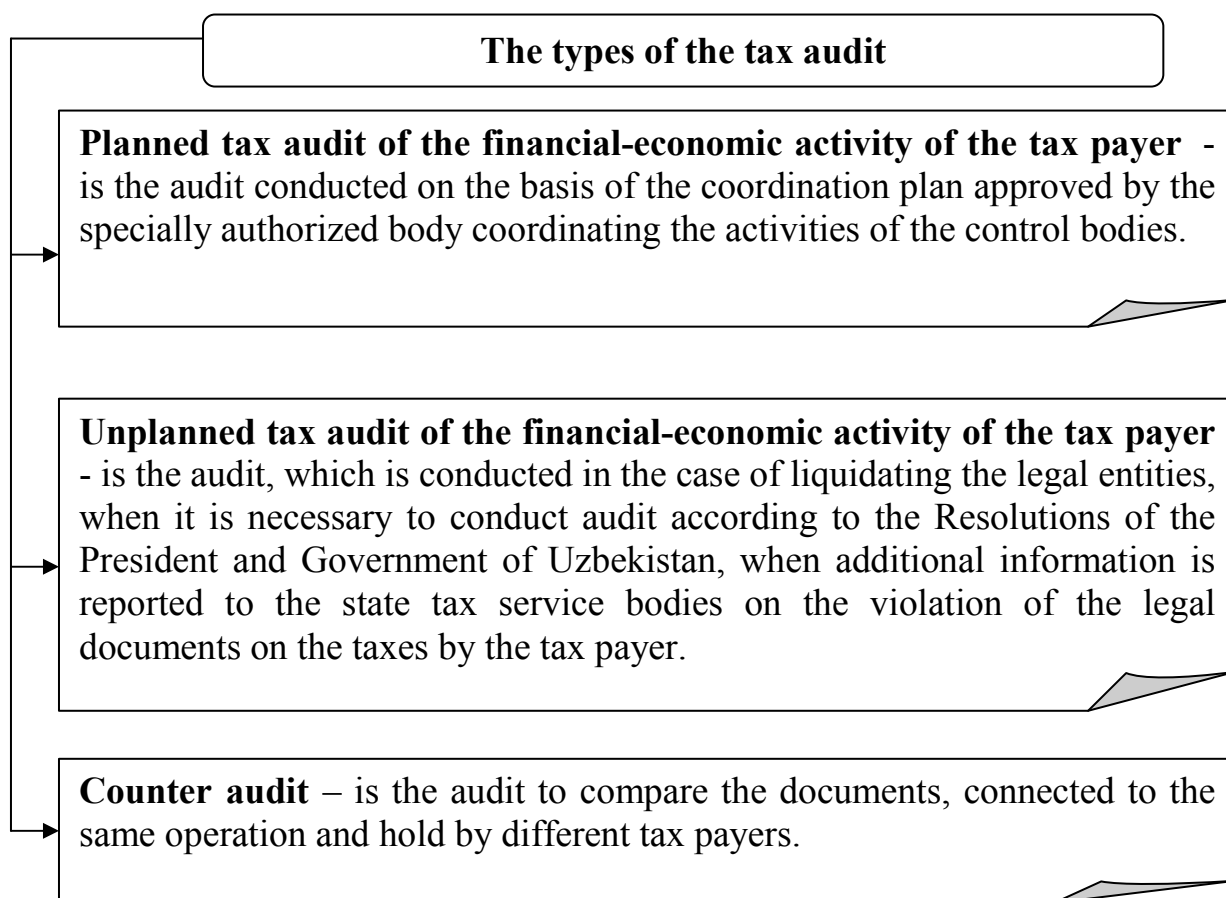


2.2. The types of the tax audit

Tax audit is divided into following types:

- Planned tax audit;
- Unplanned tax audit;

- Counter audit.



Experience of Japan:

In the tax system of Japan the tax audits are mainly divided into following types:

- Obligatory audit
- Voluntary audit.

The cases like violation of the legislation through tax evasion in large amounts by the legal entities and individuals and alcohol products’ indirect taxes are considered as the targets of such audit in accordance with the Law “National Tax Violations Control Act”.

III. COORDINATION OF THE AUDITING OF BUSINESS ENTITIES

3.1. The goal and tasks of the coordination of audits

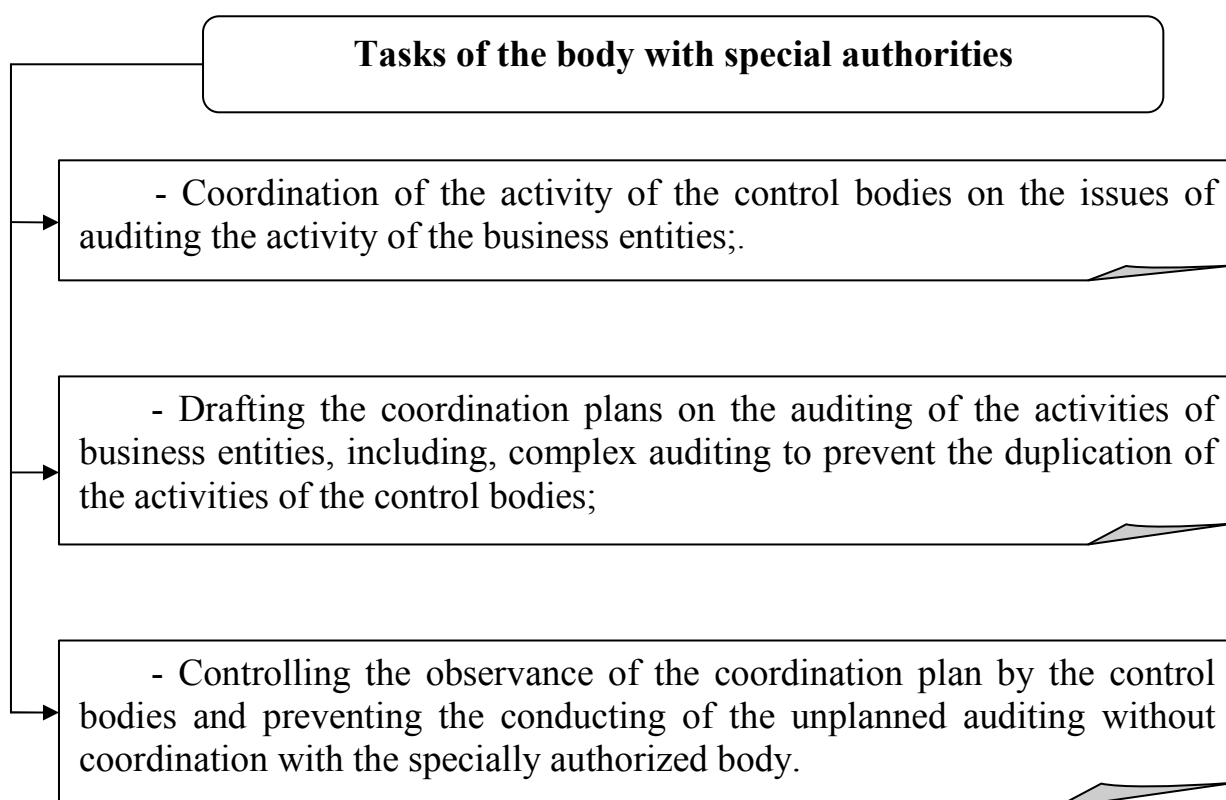
Republican Council for Coordination of Control Bodies was established in order to coordinate the audit of the business entities regardless their form of property ownership and to prevent unjustified interference to their activities. Since then all the audits of the business entities, regardless their form of property ownership are conducted in accordance with the rights, determined in the legislation in coordination with this Council.

3.2. The bodies, with the authority to audit the activity of the business entities

There are 46 bodies with the authority to audit the activity of the business entities in Uzbekistan. One of them, State Tax Committee resolves the issues on taxes and performs all tax audits.

3.3. Republican Council for Coordination of Control Bodies and its main tasks

As it was mentioned above, Republican Council for Coordination of Control Bodies was established in order to coordinate the audit of the business entities, regardless their form of property ownership and to prevent unjustified interference to their activities.



Controlling functions of the tax bodies, which are conducted without additional coordination with the Council (regional commissions)

In case of production and sale of the alcohol drinks and tobacco products by the entrepreneurs without relevant permissions, as well as in case of the availability of the reliable information that proves the absence of the documentary stamps or their falsification prompt withdrawal from the circulation (seizure) of such products in the manner established in the legislation by the authorized tax and other bodies. In such cases further audit of the entrepreneurship entity shall be conducted in the established manner with the coordination with the Council or its regional commissions.

3.4. Main principles and rules of audit of the activity of the business entity

Main principles of the audit of the activities of the business entities are as follows:

- legality, impartiality and transparency in the activity of the bodies of audit;
- protection of the rights and legitimate interests of the legal entities and individuals;
- non-interference to the activity of the business entities.

The audit may cover the period of not more than four calendar years of the activity of the business entity from the year of audit being conducted.

3.5. Conditions for conducting the audit

This section explains 19 conditions of conducting audit.

Additional conditions related to conducting the tax audit

Conducting tax audit shall not suspend the operation of the tax payer, except the cases specified in the legislation (for instance, when signs of crime exists in the activity, in case when it is determined that the alcohol drinks are sold without permission and etc).

Experience of Japan

Whether to conduct the tax audit depends on the “rational decision” of the auditing inspector and it is not obligatory condition to inform the tax payer about the reasons for conducting the tax audit. Even if it is specified, there is no need to indicate the main reason, and it is sufficient to mention the reasons like for instance “to verify the correctness of the income amount indicated in the declaration”.

IV. ORGANIZATIONAL-LEGAL GROUNDS FOR TAX AUDIT

4.1. The grounds for conducting tax audit

The grounds for planned tax audit.

The grounds for unplanned tax audit.

The grounds for conducting counter audit.

Followings are the grounds for conducting unplanned tax audit of the legal entities being liquidated:

Written notification on liquidation from the legal entity being liquidated or from the body of state registration of the legal entities;

The order of the state tax service body indicating the purpose of the audit, period of audit and the members list of the officials, which will conduct audit.

The tax audits may be conducted only in the cases when above-mentioned grounds exist.

4.2. The periods of conducting tax audit and its frequency

Period of conducting the tax audit shall not exceed thirty calendar days. In individual cases this period may be extended by the decision of the specially authorized body, coordinating the activity of the control bodies.

Extension of the tax audit period shall be registered by the additional order of the state tax service body and it shall include reference number and date of the previous order on conducting audit, names and patronymic names of the officials attracted to previous audit.

Duration of the short-term audit shall not exceed one working day. It is not allowed to extend the period of short-term audit.

Experience of Japan:

Usually in Japan audit period covers previous three years, however it is allowed to audit the documents for the prior and after 3 years periods. It means at the time of tax audit the documents for the 3 past years are audited, while taxation period is determined for last 5 years. In case if illegal actions such as falsification or hiding the documents are revealed, as an exceptional case it is allowed to collect taxes for 7 years. In such cases by the decree of the state tax department or head of the inspection it is allowed to audit the documents for 7 years.

Moreover in Japan even if the declaration time did not come yet the audit may check the documents for the year when the audit is being conducted.

In Japan the tax audit, conducted by the tax bodies, is mainly conducted up to five days. However this term may vary depending to the specifics of the case.

In Japan annually 10 percent of the legal entities and 4 percent of individuals are covered by the tax audit.

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

5.1. Participants of the tax audit

Officials of the State tax authorities and the taxpayer are the participants of the tax audit. According the Tax Code of the Republic of Uzbekistan representative of the tax payer may participate in the tax audit.

Representatives of the tax payer in accordance with the law or founding documents are the authorized persons to serve as representative of the tax payer. Such persons in accordance with the Law of the Republic of Uzbekistan “On Tax Consulting” are considered as tax consultants.

In the cases of necessity, it is possible to invite experts and assign conducting examination during the tax audit. For the purposes to explain the current situation and when special knowledge is necessary in the fields of science, arts, techniques and other fields, examinations are assigned.

Participation of the interpreter

In the necessity cases interpreter may be invited to participate during the tax audit.

Participation of witness

In the case specified in the Tax Code witnesses are invited at the time of conducting activities of the tax audit.

Any adult, not having interest in the tax audit results, may be invited as the witness.

Experience of Japan

The tax auditor is assigned by the head of audit department considering the difficulty of case, experience and skills of the audit inspector, but no document about this assignment is issued to present to taxpayer. However, the list of audit targets per audit inspector is prepared and the supervisor confirms the progress of each case every day.

As a rule, tax audit is conducted by 1 person in the case of district tax office, 2 persons in the case of state tax departments, and in case of auditing relatively large enterprises several persons may participate.

5.2. Requirements for the audit officials from the tax bodies

Audit of the financial-economic activity of the business entities shall be conducted by the relevant officials of the tax bodies. Relevant auditing officials of the tax bodies shall undergo attestation in the manner established by the legislative documents.

Experience of Japan

In Japan the bodies authorized to conduct tax audit shall issue to the officials the “Permission to conduct audit” providing the right to conduct audit in addition to the service certificate. This certificate may be given to the state tax department or tax office staff.

Thus during the tax audit auditing inspector shall present its service certificate to prove that he/she is the staff of the tax body and shall present permission to certify that he/she has the authority to conduct audit and conducts auditing. After expiry of the permission for audit it is not renewed and shall be returned to the head in case of shifting to another department.

5.3. Rights and obligations of the tax bodies' officials during conducting audit

At the time of the audit of the activities of the business entities officials of the tax bodies are entitled to several rights in accordance with the Laws of the Republic of Uzbekistan No. 717-I dated 24.12.1998 "On Control Over the Activity of Business Entities" and "On State Tax Service", dated 29.08.1997. These rights are indicated in the textbook.

Request for the documents

Seizure of the documents and items

Suspend the operations on bank accounts of the tax payer

5.4. Rights and obligations of the business entities being audited

The business entities under the tax audit by the tax bodies (tax payers) possess following rights in accordance with the Tax Code of the Republic of Uzbekistan and the Laws of the Republic of Uzbekistan No. 717-I dated 24.12.1998 "On Control Over the Activity of Business Entities":

to have relevant information on the audit of their activity;

to request from the auditing official of the control body to present the decision of the specially authorized body or its regional department, or other document, which can serve as a ground to conduct audit, to examine identification documents of the auditing person;

not to allow conducting the audit to the people, who have no ground to conduct audit and etc.

5.5. Audit registration book and the rules of making record to the book

The rules on filling out the "Audit registration book"

Audit registration book of the business entities has in total 12 columns, these columns shall be filled out in the established manner.

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

The audit, conducted by the tax bodies on the financial-economic activity of the legal entities is divided into three types: planned, unplanned and counter audit.

Planned audit of the financial-economic activities of the legal entities is conducted in accordance with the tax legislation of the Republic of Uzbekistan at the business entities included to the annual and quarterly based plan-schedule of the audits. Particularly, audit of financial-economic activities of the microfirms, small enterprises and farmer entities shall be conducted once in four years, other entities of entrepreneurship once in three years.

Financial-economic activity of the newly created entities of entrepreneurship shall not be audited for next two years from the date of their state registration.

6.2. The order of audit of the activity of the individual entrepreneurs

Individual entrepreneurs are audited by the tax bodies on the basis of the permission of the Coordination council, its regional and district commissions. Audit of the individual entrepreneurs' activity shall be conducted at the permanent sites, where entrepreneurs produce goods, sale goods, render various services (buildings, constructions).

Following issues shall be examined during the audit of the activity of the individual entrepreneurs:

a) observance of the legislation on tax and foreign trade;

b) observance of the rules on trade and rendering services, including availability of the register machines, payment terminals, conformity certificate on the goods, which shall be certified, seals on the measurement devices;

c) observance of the laws and other legal documents on monetary funds accounting and turnover.

The individual entrepreneur engaged in the activity, which requires license, shall be checked on the issue of observing the requirements and conditions of the license.

Experience of Japan

The tax auditor is assigned by the head of audit department considering the difficulty of case, experience and skills of the audit inspector, but no document about this assignment is issued to present to taxpayer. However, the list of audit targets per audit inspector is prepared and the supervisor confirms the progress of each case every day.

In general audit method is as follows:

A) Notification shall be made in advance. As the audit shall be conducted through visiting the tax payer, the day and time of audit, number of documents to be prepared shall be notified to the tax payer in advance. In general this notification is made over the phone and no written notification is issued.

B) Place of audit. The audit shall be conducted as much as possible at the site of the tax payer (office of the enterprise, shop, plant and etc) from the first day. The reason behind this is the main goal of the tax audit is to verify the credibility and reliability of the submitted declarations and statements. Therefore it is considered to be necessary to get acquainted directly with the actual activity and accounting documents of the tax payer.

We are not sure where to look for revealing the illegal actions of the tax payer.

Besides even after finding initially the mistakes through the auditing the accounting documents, it is difficult to reveal tax offence.

That is why firstly, actual situation of the activity of the tax payer is examined and later accounting documents are examined.

C) Filling the report on the results of the tax audit. After completing the audit, the report shall be filled on its results, recording besides the period of audit, period of conducting audit, process of audit (interviewed person, audited documents and etc) also information on existence of the offence and mistakes, its method and amount, it shall be approved by the head of the tax department or inspection. However the signature of the tax payer is not required.

D) Order on submitting the revised (corrected) declaration and indicating correctly the tax. After the report, filled on the results of the audit is approved, in case if there is a mistakes and shortcomings in the submitted declaration they have to be corrected in the re-submitted (revised) declaration.

In case if the taxpayer does not agree with the results of the audit and does not submit (revised) declaration, the income amount, taxation base and corresponding tax amount on the results of the audit shall be forwarded to the taxpayer on behalf of the head of the state tax department or inspection (as an order on correctly determining the tax).

Main notions related to the tax audit and their description

Following are the main description:

Other obligatory payments

State tax authorities

State customs bodies

Individuals

Documents examination

Complex audit

Counter audit

Audit of the financial-economic activity

Financial bodies

Non-profit organizations

Reviewing audit

Control bodies

Timing study of the cash money income

Unplanned audit

Taxes

Taxpayers

Tax agents

Representatives of taxpayer

Subjects of tax relations

Tax audit

Planned audit of the financial-economic activity of the taxpayer

Identification number of the taxpayer

Audits registration book

Audit

Business entity

Legal entity

Individual entrepreneur

Short-term audit



Test questions to evaluate the gained knowledge

This section contains 35 test questions.

LIST OF LITERATURE USED

Tax Audit Intermediate Level

**MINISTRY OF HIGHER AND SECONDARY SPECIAL
EDUCATION OF THE REPUBLIC OF UZBEKISTAN**

**STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN
TAX ACADEMY**

TAX AUDIT METHODS

TEXTBOOK

Tashkent 2010

CONTENT:

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

Introduction

State administration requires funds. In the modern states these funds are usually collected through taxes. That is why it could be said that the “taxes – common expenditures of the society”.

According to tax laws, taxpayers directly reflect their calculations in the accounting and on their basis calculate and pay their taxes. It may be concluded that if the taxpayers would calculate their taxes fully and paid, perfect state shall be created. However, regardless the times and countries, cases exist when the taxpayers will hide their income, incompletely calculate their taxes and do not pay the taxes.

That is why, in order to ensure full collection of the taxes, state sets up tax bodies, train their staff and assigns the tax audit staff in accordance with the legislation.

Tax audit is one of the important aspects of the state tax bodies’ activities, aimed on securing financial system of the state and increasing and strengthening the collectability of the taxes. Besides tax audit plays an important role in implementation of tax administration.

Tax audits – is thorough checking that the production activities of the taxpayers are trustworthy reflected in the declarations submitted by them. Thus, the most important in the tax audits is widely coverage of the target’s activity and that such activity results are reflected in the accounting documents. However the tax audit is not an easy job, and there are many methods to conduct it.

Let’s assume that taxpayer made a mistake. It is called as an act against the law, but the form of such act may be different by the different taxpayers. That is why, the answer to the questions “how the act performed”, “was how it was uncovered” and other questions will be different. Thus in the tax audits methodologies, there is no clear equation or formula exist like in mathematics or chemistry. That is why, at the time of tax audits as much as possible information and documents shall be collected. Questions shall be prepared and asked. At the end, in case if one useful result will be achieved, it may be said that audit was conducted successfully. Even if there will be no need of the information gained during the audit, these information shall be considered as necessary for the later audits. Therefore it is very important for the person in charge to appropriately comprehend the production and trade activities of the individual taxpayer through the tax audit. Compiling of such knowledge and information – is private property and know-how of every inspector. It is necessary to keep in mind that these all will be necessary in the future.

In the future the system through jointly usage of the knowledge and know-how of each inspector, will allow to make the tax audits more efficiently and influential. In many cases the skills and working methods are gained through the experience. Even in such cases the skills and methods of the inspector gained through the own experience have certain limits. Besides previous experience and knowledge in many cases are related to the activities of the other inspectors and information collected by them about the shortcomings of the business entities and the methods of detections. That is why it is considered as one of the ways of qualification and experience raising. Moreover, keeping the active position and knowing own status is very important in the tax audits.

In the present material the substance and the ways of the tax audits are widely explained. However despite the deep information, it is impossible to uncover all the issues related to the tax audits. Tax audits are limited by the legislation, audit rules and calendar days. That is why for each tax audit individual method shall be selected taking into account all these limitations.

The present textbook focuses on the issues related to conducting tax audit, and attempt is made to cover the issues like preparation for audit, order of conducting audit at the site, objects of audit and the methods of their auditing, the measures undertaken during the process of audit, documenting the outputs of the audit.

I. PREPARATION FOR CONDUCTING AUDIT

1.1. The method of selection of the business entity to conduct tax audit

Selection of the business entities which shall be audited by the tax bodies starts first of all by the compiling their list and incorporating them to the Schedule of the audit of the business entities by the “Republican Council for Coordination of Control Bodies”. On this matter in 2006 Tax bodies of the Republic of Uzbekistan have elaborated and introduced risk analysis system – “the principle of annual and quarterly audit plan”, and in accordance with the principle of determining the planned audit of the business entities are categorized to the relevant risk groups.

Based on the above-mentioned the business entities will be included to the planned schedule of audit, taking into account the probability (risk level) of tax violation by the entities and these business entities, filled in to the table shall be selected as taxpayers, where planned tax audit shall be conducted in the next year.

In case of the another type of the tax audit, namely unplanned tax audit the following business entities are selected to carry out tax audit: voluntarily liquidated entities, the entities over which additional information is reported to the tax bodies as being violated tax legislation (for instance in case if complaint on that taxpayer is received) and in case of necessity of carrying out audit, resulting from the decisions of the President of Uzbekistan and the Government of the Republic of Uzbekistan.

1.2. Audit preparation processes, and measures undertaken in the framework of these processes

One of the initial stages of the audit over the financial-business activity of the taxpayers is the preparation work for carrying out audit.

Preparation for carrying out audit shall start immediately after the audit plan is approved by the Republican council for coordination of the activities of the controlling bodies. The preparation for the audit at the enterprises, included to the audit plan due to the receiving the operational information, shall be started immediately after such information regarding the enterprise is received.

Before conducting audit all available information on taxpayer shall be studied at the tax bodies, preparation for audit shall be made well and activities described in the textbook shall be undertaken:

Each of these activities, to be conducted at the tax bodies before audit, are described in below paragraphs of the present textbook separately, in detail and in expanded manner.

1.3. Examining the financial and tax reports submitted by the taxpayers and analyzing the situation related to the tax and obligatory payment arrears.

The tax reports, accounting balance sheets and declarations for the audit period, submitted to the tax bodies by the business entity, on which preparation for audit is ongoing, shall be analyzed on distribution among the interrelated tax types and taxation objects. For these purposes there is a Department of Document Control in charge of auditing the reports of taxpayers and revealing the shortcomings, related to the reporting at the tax bodies. This department provides analytical information on the financial and tax account of the taxpayers. In its turn the information of the department of Document control serves as factor for selection of taxpayers for conducting the audit of documents.

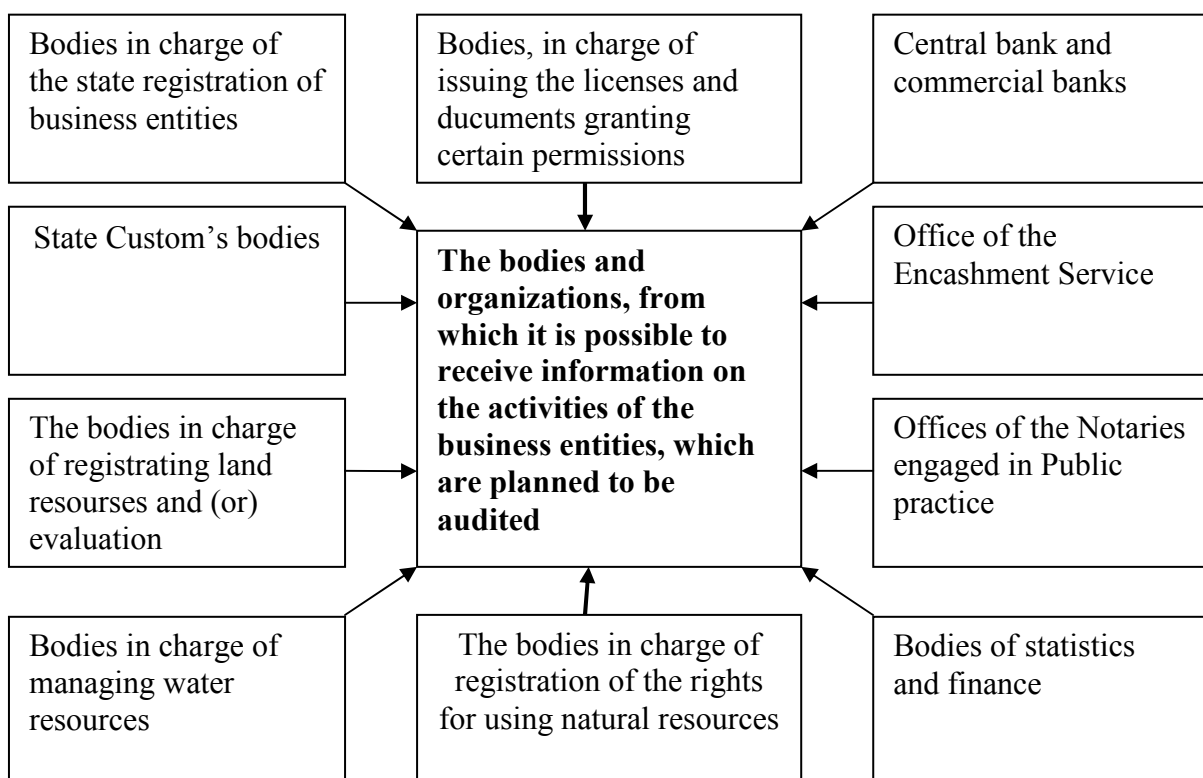
As a result of the Document control it is possible to reveal information regarding the offences of the taxpayer, which was planned to audit. That is why the results of such control are used in carrying out tax audit.

1.4. Collecting and analyzing the information on the business entity being audited from the relevant bodies and organizations

As it was already stated above, the another one of the main activities to be conducted in the process of preparation for the audit is collection of the information about the business entity to be audited and related to its financial-business activities, to analyze them and to reveal existing shortcomings.

In this process mainly tax bodies may receive external information related to the financial-business activity of the business entity to be audited from the relevant bodies through making written request or in accordance with the inter-ministerial and inter-agency agreed manner. (Pls. refer to the flowchart 1).

Flowchart 1. The bodies and organizations, from which it is possible to receive information on the activities of the business entities, which are planned to be audited



1.5. Studying the results of the previously conducted audit on the business entities, which are planned to be audited.

In the process of preparing documents based planned audit of the financial-business activity of the business entity, the authorized auditing staff of the tax bodies shall thoroughly examine results of the previously conducted audit of the entity. In its turn if one will check the content of the information on the results of the tax audit, it shall contain report of the audit, information on the tax amounts calculated additionally in accordance with the report, amount of the financial fines paid in accordance with the report of the audit.

1.6. The order of determining the composition of the tax auditors and in the case of necessity inviting the specialists

The staff of the tax bodies permitted in the established manner (having special certificate on permitting the carrying out audit) by the management of the regional tax bodies (Republic of Karakalpakstan, regions and Tashkent city state tax departments) have a right to perform tax audit carried out by the Tax authorities.

The composition of the staff of the tax bodies who may participate in conducting audit shall be determined based on the activity of the business entity on which preparation for audit is going on as well as depending on the work volume, size of the entity, composition of the tax and other obligatory payments, frequency and period of audit. In accordance with this composition the staff from the departments of the tax bodies such as “Tax Audits”, “Taxation of the Legal Entities”, “Taxation of individuals” and division of “Organizing short-term audits” may be accepted.

In case of necessity in coordination with the management of the state tax service body it is possible to involve the staff of other regional state tax authorities, who is permitted in established manner (possesses permission) to the tax audit or in accordance with the Tax Code forward request to other organizations for attracting the specialists. For instance, in the cases foreseen in the tax legislation of the Republic of Uzbekistan it is possible to invite to the tax audit uninterested experts, interpreter and witnesses.

1.7. The rules for drafting program for conducting the audit and its approval

Before audit on the basis of the analysis preliminary list of the issues, to be audited (program of audit), shall be compiled. The program shall cover the fields of the financial-business activity of the taxpayer, where the probability of the violation of the legislation on taxes and fees are higher, taking into account the sectoral specifics of the entity.

The program of audit over the observance of the tax legislation by the business entity and its settlement with the budget shall include the issues regarding the legal grounds of the entity being audited, its structure and activities. These issues are described in detail in the present textbook.

The program of audit shall also include the issues related to the external economic activity and results of the performed export-import operations, which is necessary to audit. These issues shall be audited by the staff of the Main Department of Control over the foreign currency and export-import operations of the State Tax Committee and its regional staff at the sites. The interium report shall be compiled, indicating the conclusion and directives on shortcomings on the taxes, revealed during the audit by the staff of this Department. (program on audit shall be submitted separately).

II. CARRYING OUT AUDIT AT THE SITES

2.1. The initial works to be performed at the beginning of the tax audit

The audit at the sites, i.e. through visiting the business entities (individual entrepreneurs, legal entities and their separate divisions) upon which audit is assigned, shall be carried out through audit of the financial-business activity of the business entities and in the form of short-term audit.

The tax audit of the document, performed by the officials of the tax bodies (auditors), shall be performed within the time frame specified in the order, while short-term audits shall be carried out within 8 hours from the time of commencement of the audit.

During the tax audit of the activity of the business entities the subject of the audit is the control over the correct calculation and timely payment by the given taxpayer the taxes and obligatory payments.

Before planned audit the tax inspectors shall perform cameral control (without visiting the site) of the reports and accountings on each tax types.

2.2. The methods applied during the process of the tax audit

During the process of tax audit, the officials of the state tax service body, carrying out tax audit are entitled to request to the taxpayer the documents related to the calculation and payment of the taxes and other obligatory payments. Besides in case of necessity they may inspect the territories, production, storage and buildings for selling and other buildings, including the sites used for earning profit or related to the taxation objects. During the inspection it is allowed to take photo, cinema and video shooting, to make copy of the documents. At the same time inventory of the property of taxpayer (fixed assets, stock for the goods, intended for sale and purchased goods, cash funds in cash register and market securities, goods at the storefront) shall be carried out.

During the process of the tax audit the officials of the State Tax service body, performing the tax audit, are entitled to compare the documents requested to the taxpayer and the internal information with the information they possess, to request explanatory notes from the taxpayer on the unclear matters (corrected, filed documents), apply the method of “selective audit”, withdraw the certain documents and items of the offences. Besides in the necessary cases the witnesses and experts may be invited to the audit processes.

2.3. Verification of the property at the process of tax audit

Officials of the state tax authorities, performing the tax audit may in case of necessity carry out physical verification of the property of the taxpayer. Verification of the property at the time of tax audit shall be carried out in accordance with the Tax Code of the Republic of Uzbekistan and other legislative documents, specified in the present textbook.

Physical verification is advisable to carry out in the following cases: if the tax audit, analysis of the information, received from the other sources and (or) in the process of the inspection of their territory and sites there is a ground to assume on existence of the inventory holdings, fixed assets or other property, not indicated in the accounting and tax accounting reports or in the cases when there is an information in the accounting and tax accounting reports but there is a ground to assume that such inventory and properties does not exist, as well as in other necessary cases.

The main purposes of the physical verification are to verify if the property does exist in the reality, to compare the existing property with the accounting report information, to verify the correct indication of the obligations in the report.

2.4. Audit of the cash register and cash operations.

In case of revealing the shortage or excess of the holdings it is necessary to indicate in the report the amount of the shortage or surplus and how they occurred.

The audit shall be conducted by the tax inspector with the participation of the chief accountant and cashier of the enterprise. Before starting the audit the tax inspectors shall request to the cashier the cash monetary funds in the cash register and latest report on the movement of the market securities and all registered documents. The tax inspector shall carefully check from the following point of view the legality of each document submitted to him/her, validity of performed business operations, especially correct registration of the money issued from the cash register and documents, existence of the signatures in the permissions issued by such officials like head and chief accountant, and availability of the full information on the people who have received money and their clearly made signatures.

Combined verification of the documents of the cash register and accounting documents allows revealing the offences like illegal rendering financial assistance together with various organizations and persons, purchasing the goods not necessary for the enterprise, unjustified incorporation of the cash money spending to the production costs.

2.5. Specific features of auditing the structure of the cost price and expenses of the products (works and services)

During the audit it is necessary to check the correct calculation of the cost price of the ready made goods (works and services), and verify the existence of the evidences that the expenses paid from the net profit were incorporated to the expenditures. Unjustified increasing the expenses decreases the taxable income and makes losses to the state budget.

Auditor shall study the methods of accounting the production expenses and calculation of the actual product cost price at the time of verifying the structure of the expenses at the industrial organizations. Auditor shall check the appropriate application of the methods of accounting the expenses and its effect on the correct determining the product cost price.

For the purpose of verifying how the produced goods are soundly estimated from the economic point of view, checking the proper selection of the organization of distribution methods of the indirect expenses among the accounting objects. For instance, the method of proportional distribution is used for the amount of the payment for the labor, amount of material expenses and others in the industry.

In the case when the actual price of the spending of materials are increased by mistake or intentionally it leads to the artificial raising the expenses of the production of ready-made goods and decreases the profit from the sale of the goods.

2.6. Order of carrying out short term audit

One of the main forms of the tax audits performed by the state tax authorities – short-term audit is not related with the audit of the financial-business activity of the taxpayer, but only verifying the conformity of its certain operations with the tax legislation. Particularly, this form of audit is carried out with the purpose of controlling following matters:

- a) verifying the correct application of the Control-cash-register devices with the fiscal memory (hereafter referred as CCR) and terminals for payments using the plastic cards;
- b) verifying existence of the one-time permission and other permission granting documents;
- c) examining the rules of licensing, storage and sale of the certain excise goods, production conditions and ways, which are within mandate of the tax bodies.

2.7. Specific features of the audit by the activity fields of the business entities

This section will describe in detail audit of the organizations and enterprises by following types of activities:

- Features of auditing the construction organizations
- Features of auditing the trade and public catering enterprises
- Features of auditing the planning and surveying organizations
- Features of auditing the small enterprises
- Features of auditing the transport and forwarding enterprises

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

During the audit of the payment of the taxes by the business entities to the budget the staff of tax bodies shall pay attention to the followings: correct determining the tax bases, correct application of the tax privileges, correctness of the tax rates and tax amounts, timely and fully transfer of the taxes to the budget, correct record keeping the settlement with the budget in the accounting, correct record keeping of the analytical reports on the payments, correctness and soundness of the reporting information on the payments to the budget.

That is why tax official shall examine carefully correctness of the payments to the budget

and their timely payment in accordance with the existing legislation of the Republic of Uzbekistan.

The list of the payments to the budget is regulated by the Tax Code of the Republic of Uzbekistan and regulations on certain types of payment to the budget.

Tax debts are considered as the obligations of the legal entities to the budget and usually shall be paid at certain date. Frequent amendments to the tax legislation and contradictions in the certain normative rules result in the accidental mistakes in payment of the taxes. The examples of the mistakes, which may be revealed during careful examination of the tax debts are described in detail in the textbook.

Each legislation document related to the tax indicates the ways of application of the tax rates, determining the taxable base, tax payment periods, preparation of the reports and etc.

Taking into account that incorrect determining the tax obligations may result in big financial losses, it is necessary to pay special attention for the technologies of organizing and conducting the audit in this section.

Income tax and value added tax are most influential taxes in the financial-business activity of the enterprise, and they create most difficulties in accounting and auditing. That is why among the general state taxes we will allocate special attention to these two taxes and other taxes and obligatory payments will be described based on only general auditing rules.

3.2. Auditing the process of calculation of income tax

Income tax is the sources of budgetary income funds taken by the state from the part of the income (profit) of the legal entities. As a rule followings are included in the audit of the income tax:

- Analysis of the advance payments, calculated and paid quarterly for the quarterly tax accounting;
- Auditing the payment of the income tax for the reporting period;
- Analysis of the income tax debts on the basis of the financial-business activities in the reported period.

Tasks determined for the income tax audit.

- Analysis of the tax reports
- Forming the tax base
- Determining the income expenses and determining the unaccounted tax base;
- Determining the current tax obligations in the accounting and tax reports;
- Determining the collected tax amount from the accounting reports.
- Classification of the financial statement forms;
- Ensuring full and timely payment of the income tax;

Following offences may be revealed during the audit of the income tax:

- Incorrect forming the tax base (income expense)
- Incorporation of the expenses to the economic expenses, which are not specified
- Violation of the tax privilege rules
- Cases of violation of the formed tax allocations
- Non-existence of the internal control, incorrect calculation of the income tax.

3.3. Audit of the value added tax

In the present conditions of the modernization of the economy audit of the payment of the value added tax (VAT) to the budget by the business entities is of special importance.

Audit of the value added tax shall include following:

- Analysis of the tax reports for the previous periods, checking the implementation of the recommendations on the indicated shortcomings;

- Comparison of the payment on the accounts of VAT for the current period with the payment for the previous periods and analysis of the discrepancies;
- Comparison of the actual rate for the current period and analysis of the discrepancies;
- Analysis of the payments to the budget for the reporting period.

During the time of verifying the correctness of the VAT payment, auditor shall examine all accounts indicating the expenses of the stocks of materials, payment orders and other payment documents.

3.4. Audit of the excise tax

For the purpose of audit of the excise tax, the auditor shall know the current list of the goods imposed by the excise tax and the rate of the excise tax, approved by the Cabinet of Ministers of the Republic of Uzbekistan. After that, the goods of the enterprise, imposed with the excise tax shall be determined and verification if the tax objects on them were correctly established shall be carried out. At the same time auditor shall check if the excise tax was calculated on the goods produced from the raw materials of the customer.

After that auditor shall check observance of the timely payment of the calculated excise tax. In that case according to the Article 84 of the Tax Code of the Republic of Uzbekistan, excise tax shall be transferred not later than 3 days after the ten days of the month in which excise tax goods were sold, if otherwise is not specified in the legislative documents. At the same time it shall be checked if the taxpayer is submitting the accounting on the excise tax on the monthly basis not later than 20th day of the month next to the reporting month.

Moreover the control on the payment of the excise tax shall be secured in accordance with the Article 240 of the Tax Code.

It is established that the payment of the excise tax on the goods, imposed with excise tax and imported to the Republic of Uzbekistan shall be done before or at the time of the payment of other custom's payments. Payment order with the mark of the bank about acceptance to the payment, submitted together with the Customs Cargo Declaration shall serve as a proof of the payment of the excise tax by the taxpayer.

3.5 . Audit of the payment to the budget of the income tax by the individuals

Following shall be known on income tax of the individuals and their audit:

- the purpose and tasks of the audit of income tax of individuals;
- composition of the main documents used for audit of the income tax of the individuals;
- sequence of conducting audit of the income tax of the individuals;
- types of the offences revealed during the audit of the income tax of the individuals;

The main goal of the audit of the income tax of the individuals is to control over correct calculation and timely payment of this type of tax in accordance with the requirements of the tax legislation.

Following offences may be revealed in the process of audit of the income tax of the individuals:

- incorrect forming the tax base (income expenses)
- Incorporation of the expenses to the economic expenses which are not specified
- Violation of the tax privilege rules
- Cases of violation of the formed tax allocations
- Non-existence of the internal control, incorrect calculation of the income tax of the individuals.

Annual total income of the individual includes income in the form of payment for labor, income received from the property of that individuals and gross income received from the entrepreneurship activities.

In verifying the correct collection of the income tax from the labor wages it is advised to use the Articles of the Tax Code and introduced amendments.

3.6. Audit of the property and resources taxes

The audit process of the calculated and paid to the budget property and resource taxes of the business entities, carried out by the staff of the State tax authorities shall be implemented in the following sequence:

- Audit of the correct calculation of the taxes;
- Audit of the full and timely transfer of the taxes to the budget;
- Audit of the correct accounting of the taxes;
- Recording the results of the audit.

Audit of the property tax

This tax is introduced to facilitate efficient utilization of the existing assets of the enterprises and prevent accumulation of the unnecessary property at the enterprises. This tax shall be paid by the legal entities, which have taxable property, bank deposit account and independent balance.

Tax rate shall be applied to the fixed assets at the balance of the enterprise (including those received under the leasing agreement) and to their average annual residue value.

Collection of the taxes on the property, lost due to the natural disasters or other reasons, shall be terminated from the month when they were fully ceased or destroyed.

It is necessary to check the correct application of the tax privileges and observance of the payment periods on the property tax.

Audit of the taxes for natural resources use

First of all in audit of the taxes for using the natural resources it is necessary to verify the correctness of the taxation objects. In this case it is necessary to check the conformity of the taxation objects to the Tax Code. Then it shall be verified if the tax rates are applied correctly in accordance with the tax rates, determined by the Cabinet of Ministers of the Republic of Uzbekistan for subsoil use. Tax privileges, determined for this tax, shall be also taken into account by the auditor. The auditor shall check the correct calculation and payment of the taxes for subsoil use. Thus, auditor shall check the observance by the taxpayer the order of submitting to the tax bodies of the tax accounting on the taxes for subsoil use, which is determined by the Section IX of the Tax Code of the Republic of Uzbekistan. Taxes and special payments for the subsoil users (Chapters 42-46, Articles 242-256).

Audit of the taxes for using water resources

Tax for using water resources shall be paid by the legal entities, which use the water in their activities. In auditing this tax it shall be checked if the taxation objects correspond to the Article 258 of the Tax Code. Then it shall be checked if the current tax rates, determined by the Cabinet of Ministers of the Republic of Uzbekistan and the tax privileges for using the water resources, determined in the Article 261 of the Tax Code, are correctly applied. Special attention shall be paid for the calculation order of the tax amounts and submission of the accounting to the tax bodies and observance of the periods of payment of the taxes.

3.7 Audit of the taxes paid in the simplified taxation order

Tasks set up for audit of the unified tax payment:

- Status of analytic accounts on the tax reports;
- Formation of tax base;
- Determining the expenses;
- Determining the debt on the current tax obligations in the accounting and tax reports;
- Determining the accumulated tax amounts in the accounting reports;
- Classification of the financial statement forms;
- Ensuring timely and fully payment of the unified tax;

Audit of the unified land tax

Tasks set up for audit of the unified land tax:

- Analysys of tax reports;
- Formation of tax base;
- Determining the income expenses;
- Determining the debt on the current tax obligations in the accounting and tax reports;
- Determining the tax amounts in the accounting reports;
- Classification of the financial statement forms;
- Ensuring timely and fully payment of the unified land tax;

3.8. Audit of the payments to the Special Foundations

This section in detail describes the payments to the special state foundations – Pension Foundation, Republican Road Foundation and Development of school education.

IV. REGISTERING THE CONCLUSION AND RESULTS OF THE AUDIT

4.1 Completion of the tax audit and compiling the tax audit report

At the end of the audit on the financial-business activities of the business entities, including the audit of the documents, and short-term audits, official of the tax service body shall compile tax audit report at least in three copies. This report shall contain consistent description of the revealed tax related offences and other offences with documented proof or shall state that no violation was found, and also shall record the conclusions and recommendations of the auditors on the correcting the offences, revealed in the manner specified in the certain articles of the Tax Code and other normative legal documents.

In case if at the end of the tax audit no tax related and other offences were found it shall be also recorded in the tax audit report.

4.2. Registering the results of the tax audit

In the tax audit report, compiled by the officials of the state tax services bodies at the end of the tax audit followings shall be indicated:

- Site where audit was conducted, date of compiling the report;
- Ground for carrying out audit;
- Type and period of conducting audit;
- Surname, name and patronymic name of the staff of state tax authorities, who conducted tax audit;
- Surname, name and patronymic name of the individual entrepreneur;
- Full name of the legal entity, surname, name and patronymic name of the officials, who performed the tasks of the head and accounting during the period of audit;
- Location of the taxpayer (post address), bank information, and identification number; --
- Information on the previous audit;
- General information on the tax audit period and documents, provided by the taxpayer for carrying out audit;
- Detailed description of the tax related offence (in case if any) with the reference to the relevant norm of the legal documents on taxes;
- Opinion and conclusions on the results of the audit.

In case if at the end of the tax audit no tax related violation of the law was found, it shall be also recorded in the tax audit report.

4.3 Documents to be annexed to the tax audit report

This section provides the list of the documents, which shall be annexed to the tax audit report.

List of the used literature

Annex 1

List of the activities, which require receiving the license

Annex 2

Sample of examples of the report on verification of the cash

Tax Collection

**MINISTRY OF HIGHER AND SECONDARY SPECIAL
EDUCATION
OF THE REPUBLIC OF UZBEKISTAN**

**STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN
TAX ACADEMY**

DELINQUENT TAX AND ITS COLLECTION

TEXTBOOK

**Improvement of the Tax Administration of the Republic of
Uzbekistan**

TASHKENT-2010

The present textbook is prepared under edition of Mr. Erkin F. Gadoev,
Honored economist of Uzbekistan, PhD in Economics, Associate Professor.

Co-Authors A.Tangrikulov, A.Homma, Sh. Toshmatov, I.Norkuziyev, N.Rozikov
Delinquent tax and its collection: Textbook /Co-Authors: A.Tangrikulov, A.Homma, Sh.
Toshmatov, I.Norkuziyev, N.Rozikov – Tashkent.:

The present textbook covers the origin of the delinquency on the current taxes and obligatory payments, in accordance with the Tax Code of the Republic of Uzbekistan and describes the advanced experience of the Japan in delinquent tax collection.

The textbook is designed for the students of the higher educational establishments, studying the field “Tax and taxation”.

Reviewers:

Haydarov N.H.–PhD in Economics, Professor.
Tukhliyev B. K. – PhD in Economics, Associate Professor.

Introduction

The tax reforms, being conducted in the conditions of modernization of our country's economy is mainly focused on promotion of the entrepreneur's economic activities through the taxes, but at the same time implementation of the tax's main fiscal policy is related to the full and in time collection of the calculated taxes to the budget.

The principal law of the Republic of Uzbekistan – the Constitution determines that one of the duties and obligations of the citizen is mandatory payment of the taxes and local fees, determined by the law.

The delinquent taxes emerge when the taxpayers do not pay tax and other obligatory fees in time and fully. To collect these delinquent taxes staff of the tax bodies shall have sufficient knowledge, skills and qualifications. These all in turn, requires the students, studying in the taxation field to master the theoretical and practical skills in the field of tax collection.

The present “Delinquent tax and its collection” textbook is designed to provide theoretical and practical knowledge and skills to the bachelor degree students and the taxation staff undergoing capacity building training on the issues of emergence of delinquent taxes and the process of collection. The textbook may have shortcomings and we would like to express our gratitude in advance for those readers, who will submit their opinion and comments.

The present textbook is prepared under the Japan International Cooperation Agency (JICA) Project “Improvement of the Tax Administration in the Republic of Uzbekistan” by the Working Group, consisting of JICA experts, State Tax Committee of the Republic of Uzbekistan, Tax Academy and Tashkent Tax College.

Contents

- 1. Objectives, tasks and necessity of the special training course “Delinquent tax and its collection”**
- 2. Legal basis of the collection of the taxes and obligatory payments**
- 3. The role of the state tax authorities in the collection of the taxes**
- 4. Period and procedure of taxes and other obligatory payments**
- 5. The reasons of emergence of the delinquent tax and measures to prevent**
- 6. The order of compulsory collection of the delinquent taxes from the 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 on taxes and other obligatory payments of the legal entities**

Chapter1 . Objectives, tasks and necessity of the special training course “Delinquent tax and its collection”.

1.1 Objectives and tasks of the training course, notions on the tax collection and their substance.

The goal of teaching the special training course “Delinquent tax and its collection” is to create knowledge, skills and qualification of the students on the reasons of emergence of the delinquent tax, the order of collecting the tax, solving the problems raising during the practice of compulsory collection of the delinquent tax, the main notions and terms of the tax collection.

The task of the training course is to teach the students to master completely the ways of delinquent tax collection.

The textbook has provided description of the following notions:

Taxpayers

Tax agents

Representatives of the taxpayers

The obligation to pay timely and fully the taxes and other obligatory fees, determined by the law, arises after taxpayers undergo state registration in the established manner. This obligation may be fulfilled independently by the taxpayer and may be done by the authorized bodies.

Followings are the authorized bodies:

Bodies of state tax service

Customs bodies

Financial bodies

Other state bodies and organizations assigned with the task of collection of other obligatory payments.

Thus, taxes and obligatory payments are collected by the tax agents and authorized bodies.

1.2 Necessity and measures of tax collection.

It is known that more than 90% of the revenues of state budget of the Republic of Uzbekistan are formed by the taxes. Timely and fully receiving the taxes and obligatory payments serves to finance in time all activities implemented at the state level, i.e. expenditure part of the budget and special funds.

In its turn in case if these funds are not received in time and fully by the budget and special funds it may prevent the state from implementing the expenses for the certain period.

As it was mentioned above taxpayers shall fulfill at proper time and fully the obligation “to pay in time and fully the taxes and other obligatory payments”. However there are cases when the taxpayers, who have unfulfilled obligations on the taxes and other obligatory payments, do not submit the payment orders to their servicing bank (regardless if they have the funds at the bank account) not later than the deadline specified in the Tax code. It could be explained by several reasons:

Taxpayers do not know about their obligations;

No funds available at the bank account of the taxpayer;

Deliberately not paying;

Worsening the health condition of the taxpayer;

Taxpayer is in far business trip;

Other reasons.

7 Test questions

Chapter 2 Legal basis of the collection of the taxes and obligatory payments

2.1 Legal regulation of the taxes and other obligatory payments

Article 51 of the Constitution of the Republic of Uzbekistan determines that the citizens are obliged to pay taxes and local payments, specified by law.

Article 6 of the present Tax Code determines the “Principle of mandatory payment of the taxes as follows: “Each person is obliged to pay the taxes and obligatory payments, specified in the Tax Code”.

According to the Tax legislation, the taxpayers are the individuals, legal entities and their separate branches assigned by the Tax legislation to pay the taxes and other obligatory payments.

Obligations assigned on them are listed in the present textbook.

2.2 Past law relating to the collection of the delinquent taxes and other obligatory payments

The initial document on compulsory collection of the delinquent taxes and other obligatory payments in our republic is Law of the Republic of Uzbekistan “On collection of delinquent taxes and other obligatory payments”, adopted on December 22, 1995.

This law determines the collection of the taxes not paid in due time, and collection of other obligatory payments to the state budget and off-the-budget state funds as follows;

- Definition of delinquent taxes and calculation of the surcharge
- Measures to collect tax debt without the procedure of legal court from the enterprises, institutions and organizations
- Payment of the surcharge to the state budget for not transferring on the time by the fault of the bank the payments to the bank accounts of the off-the-budget funds-in-trust

This law was abolished by the enactment of the new Tax Code of the Republic of Uzbekistan.

2.3 Present law relating to the collection of the delinquent taxes and obligatory payments to the budget.

The legislation related to the collection of the delinquent taxes principally determines the rights of the tax bodies and obligations of the taxpayers.

Among the legal documents from the point of compulsory collection of the tax, Law of the Republic of Uzbekistan dated August 29, 1997 “On State Tax Service” should be noted. One of the rights of the State Tax Service bodies determined by this law is the authority to forward the request on fulfilling the obligation and on measures to compulsory collect the tax to taxpayers.

Other important document related to the compulsory collection of the delinquent tax is the Tax Code. All the procedures of compulsory delinquent tax collection are reflected in the Tax Code and below we will describe it in detail.

In case if the enterprises will not undertake measures to pay the debt after the state tax authorities had implemented the measures on compulsory collection of the debts, the measures, determined in the Law of the Republic of Uzbekistan “On Bankrupt Enterprises” shall be applied for these enterprises.

In accordance with the Law of the Republic of Uzbekistan the Department of Judicial executors based on the decisions of the judicial bodies or orders shall undertake necessary measures to collect the delinquent tax of the debtor from the property of the debtor.

5 Test questions

Chapter 3 The role of the state tax authorities in the collection of the taxes

3.1 General description of the role of the state tax service system in the tax collection.

Tax collection is undertaken on the basis of the legislation adopted by each state. The legislation first of all determines the rights and obligations of the tax collectors and taxpayers. Paying the taxes is obligatory for all.

In our country the main implementers for tax collection are the state tax Authorities. Its obligations and rights are determined by the Constitution of the Republic of Uzbekistan, the Laws “On Tax Service” and “On Bankruptcy” as well as “Tax Code”. State Tax Committee and State Tax Departments in Karakalpakstan Republic, Tashkent city and regions, city and district tax inspectors under them (tax service system) are the state bodies in charge of collection of the taxes and obligatory payments to the budget and off-the-budget Pension fund, Republican Road fund and Fund for development of school education.

The order of collection of the taxes and obligatory payments to the budget and off-the-budget Pension fund, Republican Road Fund and Fund for development of school education by the regional state tax offices are determined by the laws “On state tax Service” and Tax Code.

Besides the control over the implementation of the other legislation documents regulating the related to the compulsory collection of delinquent tax and determining the amount of the payments and fees to the budget and off-the-budget funds are also conducted by the tax authorities.

3.2 Control of the State Tax service over the fulfillment of the tax obligations.

Control of the State tax authorities are conducted after the tax obligation of the taxpayer emerges.

The obligations of the taxpayer, emerging in accordance to the tax legislation are called tax obligations.

Following shall be done by the taxpayer in order to fulfill the tax obligation:

- Registration in the regional state tax office
- Determination and management of the taxation objects and objects related to the taxation
- Preparation for financial and tax reports and submission them to the district tax office
- Payment of the taxes and other obligatory payments in time and fully.

Fulfilling the tax obligation shall be conducted by the taxpayer directly, but as an exceptional case exists in the Tax Code and other laws.

In case if the tax obligation is not fulfilled or not fulfilled appropriately, compulsory measures may be undertaken in accordance with the manner prescribed in the Tax Code against the taxpayer.

Tax authorities are first of all are assigned with the tasks of controlling over the observance of the legislation on taxes, correct calculation of the taxes and other obligatory payments, and full payment to the budget and off-the-budget funds.

3.3 Cooperation of the State tax authorities with the banks and other bodies in tax collection

In tax collection it is necessary for the regional state tax offices to cooperate with the bank and other credit institutions, and main issues of cooperation are the tax collection.

First of all it is determined that, with the purpose of accounting the taxpayers and ensure control over implementation of the legislative documents on taxes the banks and other financial institutions may open the primary and other types of bank accounts only after the business entities will present the documents proving their registration at the regional state tax offices.

Secondly, in the case of terminating the activities or due to the other reasons closing their primary bank account in the banks their settlement account and other bank accounts may

be closed only after they present statement of the regional state tax offices that they have fulfilled their obligations to the budget.

Thirdly, the orders of the regional state tax offices on collection of the delinquent tax shall be executed by the banks in coordination with the payment for labor and equaled to it other payments.

Fourthly, banks shall transfer the amounts of the tax and obligatory payments and the fines to the budget and off-the-budget funds from the settlement or other bank accounts of the clients, which have delinquent taxes on the day of the operation of settlements.

Fifthly, in case if the funds of the legal entities in the local currency account is not enough and if they have foreign currency accounts, upon the submission of the request from the regional state tax offices to pay for the debt before the budget, these foreign currency funds shall be sold at the Currency exchange at the Central bank's exchange rate on the date of sale and forwarded to the pay the delinquent taxes before the budget and off-the-budget funds.

4 test questions

Chapter4 Term of payment and procedure of taxes and other obligatory payments

4.1 The taxes and other obligatory payments existing in the Republic of Uzbekistan.

According the current tax legislation following taxes and other obligatory payments exists in Uzbekistan.

National taxes include followings:

- 1) Corporate tax on legal entities;
- 2) Income tax on individuals;
- 3) Value added tax;
- 4) Excise tax;
- 5) Taxes and special payments for the users of the mineral resources;
- 6) Tax for utilizing the water resources;
- 7) Unified tax payment;
- 8) Fixed tax for the certain types of the entrepreneurship activity.

Local taxes include following:

- 1) Property tax;
- 2) Land tax (unified land tax);
- 3) Tax for improvement and development of social infrastructure;
- 4) Tax on the individuals for using the gasoline, diesel and gas for the transport vehicles.

Other obligatory payments include the following:

- 1) Obligatory payments to the social funds:

Unified social payment;

Insurance fees to the off-the-budget Pension fund by the citizen;

Obligatory allocations to the off-the-budget Pension fund;

- 2) Obligatory payments to the Republican Road Fund:

Obligatory allocations to the Republican road fund;

Charges to the Republican Road fund;

- 3) State fees;

4) Customs fees and charges;

5) Charges for the right to the retail trade of certain goods and rendering the certain type of the services.

4.2 The term of payment and procedure of tax and other obligatory payments

The present chapter provides in the form of the table the information on presenting the statements and periods for payment of taxes and other obligatory payments existing in the Republic.

6 test questions

Chapter 5 The reasons of emergence of the delinquent tax and measures to prevent.

5.1 The reasons of emergence of the delinquent tax

In the Republic of Uzbekistan, according to the current legislation if the business entity will not transfer the calculated tax and payments in time to the budget or evade taxes, then this business entity will have a debt before the budget.

The notion of tax initially was determined by the Article 2, the Law of the Republic of Uzbekistan “On collection of the taxes and other obligatory payments not paid in time”, which remained in force till January 1st 2008 as follows: “After the due date of the corresponding payments expires, the unpaid amount shall constitute delinquent tax and shall be collected with the fines if otherwise is not specified by the law”.

However, the present Tax Code gives following description to the delinquent tax: “The delinquent tax is the amount of the debt on the taxes and other obligatory payments, including the unpaid in time financial sanctions, specified in the Tax Code”.

Theoretically it could be justified as emerging under following factors:

- Non-observance of the payment disciplines by the business entities engaged in the financial-economic relations with each other and as a result of this increase of the accounts receivable and accounts payable;
- Incorrect planning and management of the financial-economic activities;
- Drastic changes in the consumer demand to the produced goods (carried out works and services) of the economic entity;
- The quality of the produced goods’ (carried out works’ and services’) quality does not meet the requirements of the customer in the market;

The main reason of the emergence of the delinquent taxes before the budget is the unstable financial status of the enterprise, including the increase of the accounts payable and accounts receivable.

Delinquent taxes are divided into two groups by their origin:

- Bad debt amounts;
- Current delinquent taxes.

5.2 The measures to be conducted to prevent the conditions for emergence of the delinquent taxes

Following additional measures may be undertaken to compulsory collect delinquent taxes:

1) Submission of the application to issue the court order based on the Articles 102-103 of the Economic Procedural Code of the republic of Uzbekistan.

2) In accordance with the “Order on payment of the obligations before the budget of the business entities, which have foreign currency funds at the their bank accounts”, registered by the Ministry of Justice of the Republic of Uzbekistan on June 21, 1999 under the No. 753, the business entities which have no national currency in their bank accounts and when they have foreign currency funds in their accounts the state tax authorities shall present the collection letter to the bank, servicing the business entity for the whole amount of the debt.

3) In the cases when the statement of the claim submitted to the court by the tax bodies was not considered in time, was rejected, partly satisfied or was not satisfied the tax bodies shall submit appeal and claims to the higher courts in the established manner;

The writ of execution returned by the divisions of the execution of the court decisions shall be reconsidered by the tax bodies, and if they were returned with insufficient grounds they shall be forwarded again for the execution and notification about this shall be forwarded to the relative court.

4 test questions

Chapter 6 The order of compulsory collection of the delinquent taxes from the business entities.

6.1 Present order of collection and controlling of the delinquent tax

It happens in the practice that the taxpayer legal entity due to the certain reasons i.e. subjective or objective reasons is not able to pay the taxes and other obligatory payments in the due time. This unpaid amount according to the tax legislation shall be considered as delinquent tax and shall be compulsorily collected by the state tax bodies.

Also according to the present tax legislation, violation of the due dates of payment of the taxes and other obligatory payments shall lead to the charging the fines of 0.05% for each day after the payment due day, including the payment day. In such cases fine shall not be charged for the debt amounts, equal to the overpaid amounts on the taxes and other obligatory payments.

Demand for the paying the debt shall be made in written form and shall include following:

- 1) Surname, name and patronymic name or full name of the taxpayer;
- 2) Identification number of the tax;
- 3) date of compiling the demand;
- 4) Debt amount of the calculated taxes and other obligatory payments, surcharge and fines on the day of forwarding the demand;
- 5) Compulsory collection methods to be applied and their deadlines in case if the obligations will not be fulfilled after receiving the demand;
- 6) Order on presenting the comparative statement of mutual settlement with the debtors.

The demand on the paying the delinquent tax shall be submitted to the taxpayer or its representative in a way to confirm that the demand was received by the taxpayer, with the indication of the day of receiving. In the case when the demand on the paying the delinquent tax is sent by the registered post the date indicated on the delivery notification paper shall be considered as the day of receiving.

The form of the demand on the paying the debt is approved by the State Tax Committee of the Republic of Uzbekistan and included in the textbook.

The following are the measures on obligatory delinquent tax collection:

- Unconditionally collection of the delinquent tax from the bank account of the taxpayer;
- Collecting from the amounts to be transferred to the taxpayer by the debtors;
- Collecting from the property of the taxpayer.

Collection from the property of the taxpayer shall be conducted through court on the basis of the claim of the regional state tax offices. The claim on the collection from the property of the taxpayer shall be signed by the chief or deputy chief of the regional state tax offices, where taxpayer is registered and the sample is enclosed in the present textbook.

The following documents shall be attached to the claim:

- Quote from the existing personal card of the taxpayer about existing delinquent tax;
- Bank information on lack of the monetary funds at the bank account of the taxpayer;
- Information on the delinquent tax on the basis of the tax inspection (in case of such inspection is conducted);
- Duplication from the balance sheet of the taxpayer from the last reporting period, except for those new legal entities, which have not reached the time for submitting the financial statement.

Collection from the property of the taxpayer on the basis of the judicial documents shall be conducted by the court executors in the manner established by the legislation.

6.2 The order of payment of the taxes and other obligatory payments

The taxes and other obligatory payments at the time of liquidation of the legal entities and surcharge and fines shall be made in the time and order, determined by the Tax Code upon the emergence of tax obligations.

In case of the overpaid amounts of taxes or other obligatory payments of the legal entities being liquidated, these amounts shall be accounted in the generally established order or shall be returned.

Reorganizing of the legal entity does not change fulfillment of the tax obligations on payment of the taxes and other obligatory payment.

6.3 Postponement of the payment of delinquent tax or order of payment in installments

Postponement of the delinquent tax or payments in installments is the financial assistance by the state to enterprises facing temporary financial difficulties.

Postponement of the delinquent tax or payments in installments is provided in the manner established by the legislation by the Cabinet of Ministers of the republic of Uzbekistan or by the body it authorizes for the period from one month up to twenty four months.

Additionally calculated taxes and other obligatory payments in the amount of more than 20% of total assets on the date of the last reporting period and financial sanctions shall be paid in installments each month during the six months from the date of the decision on collection was adopted.

Postponement or payment in the installments may be applied to total delinquent taxes or its part.

7 test questions.

Chapter7 Collection of the debt on the taxes imposed on the individuals

7.1 Description of the tax obligation of the individuals

According to the present Tax Code the individuals, who have taxable income, taxable property or other taxation objects shall be considered as having tax obligations.

Regarding the sources of income in the Republic of Uzbekistan of the non-residents their obligations are determined in the Tax Code, taking into account their special features.

Termination of the tax obligations

The obligation to pay the taxes and other obligatory payments of the deceased individuals shall be paid by their heir(s), who has(have) inherited his/her property, within the value of the inherited property and in proportion to the share of the inherited property, not later than one year after inheriting the heritage. The obligation to pay the surcharge and fines imposed on the deceased individual shall not be imposed on the heir(s).

In case if the amount of the tax obligations of the deceased individual on payment of the taxes and other obligatory payments exceeds the inherited property, the remaining amount of the debt shall be considered as bad debts.

In case of no heir of the deceased individual the delinquent tax of the individual shall be considered as bad debt.

7.2 Ensuring the fulfillment of the obligations on payment of tax and other obligatory payments

The demand to pay the delinquent tax to the individuals shall be made in written form and shall include following:

- 1) Name, surname and patronymic name or full name of the taxpayer;
- 2) Identification number of the taxpayer;
- 3) Date of compiling the demand;
- 4) The debt amount on the taxes, other obligatory payments, surcharge and fines, calculated on the day of forwarding the demand;
- 5) The measures on compulsory collection and the period of their implementation in the case if the tax obligation was not fulfilled after receiving the demand;

The Form of the demand on paying the delinquent taxes shall be approved by the State Tax Committee of the Republic of Uzbekistan.

In case if the demand on the paying the delinquent taxes is not fulfilled by the individual within the ten days after receiving the demand, the regional state tax offices shall apply to the court with the claim on collection of the delinquent tax from the individual.

4 test questions

Chapter 8. Experience of Japan in collection of the delinquent tax

8.1 Description of the National Tax Collection Law

Compulsory tax collection in the Japanese tax system is regulated by the law “National Tax Collection Law”.

The law of Japan on the compulsory collection of the taxes is divided into three groups by its certain features:

- ensuring the collection of the state delinquent tax;
- respecting the rules and regulations of the private legislation;
- protection of the taxpayers.

Compulsory collection of the delinquent state taxes is important not only from the point of view of financially support of the state, but also to keep fairness for the taxpayers. That is why there exists principle of priority to national tax claim and self enforcement to keep national tax claim.

8.2. Audit on property

Tax officials in charge of disposition for tax delinquency can audit property of the debtor if need.

Audit on property is not limited just to grasping the property, but also considered as an important procedure for determining the secondary tax payment obligation and studying the conditions for the lightened tax payment system

For the purpose of execution of the compulsory collection tax official in charge is provided with the authorities to inquire and inspect and conduct search. These authorities are not considered as the authorities in criminal investigation.

8.3. Attachment

In case if the taxpayer does not pay the state taxes in time in accordance with the law ,attachment to the property of the taxpayer is executed as a first step.

As a result of the attachment the rights of ownership on the property are not transferred to the state. That is why if in the process of attachment the property will be damaged by the

natural disaster and other force majeure events, the damage of the property shall belong to the debtor.

Usually the attachment is executed if the taxpayer does not pay tax debt after 10 days of issuance of the collection letter.

8.4 Expansion of the tax collection obligation

Tax payment obligation's expansion is specially specified in the tax legislation.

Tax payment obligation's expansion is the system of the collection of the delinquent tax from the third person, who has some connection to the property of the taxpayer, from whom it is difficult to collect the state delinquent tax and collection of such debt from the third person is considered fair.

There is also derivative tax payment obligation exists.

Derivative tax payment obligation is the system when the tax payment obligation is imposed over the property of the taxpayer, but even in such case the amount to be collected is not sufficient and the remaining amount shall be additionally collected from the person meeting the certain requirements.

8.5 The system of easing the tax payment

The system of easing the tax payments has special importance in the tax legislation.

In certain conditions related to the debtor, the sale of the seizure property could be postponed. It is possible to continue entrepreneurship activity or sustaining the living conditions and to pay the state delinquent tax part by part. This is called postponement of the tax payment.

When the debtor with arrears is found to be meeting the certain requirements, and the debtor is considered as faithfully committed to the tax payment, the sale of the property in order to convert cash for tax payment may be postponed.

8.6 Termination of the collection

In such cases when the debtor lost his/her funds and property, and the compulsory collection is not rational or impossible due to the burdening the living conditions heavily, the chief of the tax offices within his/her mandate may terminate the compulsory collection.

The compulsory collection may be terminated in case if following conditions are all fulfilled.

- 1) No property exists to impose upon the compulsory collection.
- 2) There is a risk to heavily burden the living conditions of the debtor in case of the compulsory collection is imposed.

8.7 Evading the compulsory collection

If the taxpayer will hide the property, damage it or dispose it against the interests of the state or falsely increase the expenses related to the property in order to evade from the compulsory collection, this person shall be sentenced to up to 3 years penal servitude or payment of the fine up to 500 thousand Japanese Yen, or shall be sentenced to both penal servitude and imposing the fine.

Moreover in case if the third person, possessing the property of the taxpayer (custodian, mortgage, renter) will undertake above-mentioned actions in regard to evade the taxpayer from the compulsory collection, he/she shall be sentenced together with the taxpayer.

The persons like above shall be sentenced to up to 2 years penal servitude or payment of the fine up to 300 thousand Japanese Yen, or shall be sentenced to both penal servitude and imposing the fine.

8 test questions

Chapter9 Software on calculation of the debt on taxes and other obligatory payments of the legal entities.

- 1. Installing and uninstalling software to the personal computer and copying**
- 2. Compiling reports through the software**
 - 2.1. Compiling reports on the enterprises;**
 - 2.2. Compiling the reports on the ministries and agencies;**
 - 2.3. Compiling the reports on the inspectors;**
 - 2.4. Analysis of the compiled reports through the software.**
- 3. Working with the arrears**
 - 3.1. Analysis on the amounts of the arrears;**
 - 3.2. Getting information on arrears with extended date;**
 - 3.3. Forwarding the demands for the tax arrears and controlling**
 - 3.4. Collection of the arrears from account receivable of the delinquent taxpayers**
 - 3.5. Collection of the arrears from the property of delinquent taxpayers and its control**
- 4. Information from the taxpayer file**

7 test questions

List of the used literature

Tax Collection, Tax College Version

**STATE TAX COMMITTEE OF THE REPUBLIC OF UZBEKISTAN
TAX ACADEMY**

REDUCTION OF DELINQUENT TAXES

*For Students of Tax college and “Tax and taxation” major
students of other colleges*

TEXTBOOK

TASHKENT-2010

The present textbook is prepared under edition of Mr. Erkin F. Gadoev,
Honored economist of Uzbekistan, PhD in Economics, Associate Professor.

Co-Authors A.Tangrikulov, A.Homma, Sh. Toshmatov, I.Norkuziyev, N.Rozikov
Reduction of delinquent taxes: Textbook /Co-Authors: A.Tangrikulov, A.Homma, Sh.
Toshmatov, I.Norkuziyev, N.Rozikov – Tashkent.:
2010.

The present textbook covers the origin of the delinquency on the current taxes and
obligatory payments, and the practice of collection.

The textbook is designed for the students of Tax college and “Tax and taxation” major
students of other colleges.

Reviewers:

Haydarov N.H. –PhD in Economics, Professor.

Tukhliyev B. K. – PhD in Economics, Associate Professor.

Contents

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

**MINISTRY OF HIGHER AND SECONDARY SPECIAL
EDUCATION
OF THE REPUBLIC OF UZBEKISTAN**

**STATE TAX COMMITTEE OF THE REPUBLIC OF
UZBEKISTAN
TAX ACADEMY**

TAXPAYER SERVICES

TEXTBOOK

Improvement of the Tax Administration of the Republic of Uzbekistan

TASHKENT-2010

This textbook is prepared under edition of Mr. Erkin F. Gadoev,
Honored Economist of Uzbekistan, PhD in Economics, Associate Professor.

Coauthors:

Sh.Toshmatov, H.Koike, S.Boymurodov, N.Norboev, ADjuraev

This textbook provides procedures of taxpayer services in Uzbekistan together with description of Japanese leading practice in this area.

Bachelor's textbook 5340800 – is prepared for university students studying subject “Taxes and tax collection”.

Reviewers:

A.S. Juraev – Doctor of Economics, Professor

A. Usanov – Ph. D in Economics, Associated Professor

Sh. Musalimov – Head of Department of State Tax Committee

CONTENT

Introduction

- 1 Taxpayer services in Uzbekistan and taxation system development stages**
- 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 services origination and development in Uzbekistan.**
- 6 Public relation activity on tax and results of questionnaire survey made among taxpayers**
- 7 Japanese practice in the area of taxpayer services**
- 8 List of bibliography used**

Introduction

The history of tax origination is directly connected with a creation of state. Through centuries, in order to perform its duties and to maintain its integrity, the state had widely used funds generated through different types' of taxes. Taxes and relevant to tax interrelations became subject of intensive disputes and discussions among state authorities, tax collectors and taxpayers up to now.

From the creation of the state and taxation system, taxes used to be collected from people in in-kind form. Initial taxation system was not systematized and taxes used to be paid from harvested yields, sales and captured (hunted) animals. During this century in the region of Central Asia, people were imposed by khiraj, namely land tax, having main taxable items such as products from crops and meat.

Development and enforcement of exchange relationships caused formation of taxes as in their current form, i.e. monetary value. Before taxes collected solely for needs of state and city borders protection and maintenance of military forces, as well as for construction of roads and prayer houses. Over time taxes became the main source of state treasury's replenishment.

For the last years, the main reforms carried out in economic area of Uzbekistan were dedicated for tax system improvement. Among such activities along with important aspects such as fiscal and control functions, there was also considered a wide use of encouragement function and raising awareness of taxpayers on their legal rights. In this connection President of the Republic of Uzbekistan has noted, that: "The main task of tax bodies is not only to provide timely and complete budget revenues but also the most important is to provide services to taxpayers and to raise their awareness on relevant issues in order to prevent precedents of tax legislation breaches". Indeed, while implementing tax collection procedures the key factor is to provide taxpayer services and to assist in raising their awareness in this area, thereby preventing breaches of tax legislation.

In order to improve taxation system and to increase efficiency of taxpayer services the appliance of leading practices of developed countries will provide sound results. Therefore, based on the Project "Improvement of tax administration in the Republic of Uzbekistan" which is implemented under Japanese International Cooperation Agency (JICA) this textbook was developed by teaching staff with assistance of Japanese experts.

Please be noted that this textbook has its own deficiencies and we would appreciate to receive comments and recommendations on its improvement from any reader.

Part I Taxpayer services in Uzbekistan and taxation system development stages

Taxes are considered as objective need in state foundation and its maintenance. Such need defines its identity. While characterizing taxes, the world and local scientists have both common and particular concept for them. Briefly, taxes are the key necessity in state existence, which provide financing of central and local governments, thus enabling them to perform their duties through compulsory collected taxes based on defined rates that do not provide unfair approach to taxpayers.

At this stage, significant portion of state revenues is accumulated through tax funds. In market economy, taxes are considered as mean for state to control economic activity of companies.

Taxation system development can be divided into four stages starting from independence period of Uzbekistan when reforms were introduced and changes in this area:

First stage covers period of 1992-1994. Due to significant changes in political and economic life of the country, which occurred after gaining Independence, in order for state to perform its tasks in full scale it had to independently accumulate great volume of funds. In 1992, for the first time the state faced the problem of budgeting without recourse to external subsidies or subvention. Accordingly, at its initial stage taxation system was addressed to solve issues on accumulation of socially and economically oriented budget revenues along with provision of equality in expenditures. This had to be done during a period of falling-off in production, high inflation level and complicated conditions in financial activities of the state. Such situation required wide usage of fiscal function in taxation system. While developing taxation system, it was considered that there is no chance to provide in nearest future its relative stability, therefore, it was supplemented by new elements in relevance to actual economic environment whereas its constituent elements had changed their forms.

Second stage (1995-1997). The second stage was dedicated to lower tax burden of the companies through improvement of taxation structure, enforcement of its encouragement function and optimization of tax collection mechanism.

The third stage covers a period after issuance of Tax Code of the Republic of Uzbekistan, namely from 1998 through 2005.

In 1997 the state adopted Tax Code. In early 1998, after entry of the Tax Code the third stage on reforming of taxation system had started. The Tax Code is a basic legislative document regulating tax collection mechanism among individuals and legal entities. Before 1998, the country applied number of laws and legislative acts in order to regulate taxation system. After adoption, Tax Code adjusted taxation system, created legal basis to strengthen budget revenue base and precisely divided power of republican and local authorities in collection and charges of taxes.

The fourth stage of taxation system starts from 2005, where tax policy development was implemented based on reforms focused on liberalization and modernization of country's economy.

From 2005 taxation system of the country has experienced significant changes, where in order to develop country's economy among primary tasks improvement of taxation system was placed. New edition of Tax Code was adopted on December 25, 2007 and entered into force from early 2008. The main difference of new edition from previous one is that the new edition of the Tax Code provides direct use of it, i.e. normative legal documents for calculation of each tax are reflected in the Code instead of provisions from separate instructions. Moreover, new edition embodies procedures on simplified tax collection rules as well as calculation and collection of compulsory payments subject to payment into special funds, which were previously specified under separate legal acts. Therefore, in order to provide unique possibilities for small firms a fixed tax and compulsory payments for special funds were unified and on July 1, 2005, fixed tax payment entered into force. If initially the rate for fixed tax was 13%, then now the rate is only 7%. Such simplification increased small firms' revenue share in GDP from

42,1% in 2006 to 50,1% in 2009. In order to minimize negative tax impact in economic relations between small firms which transferred to fixed tax payment and big-scale companies paying generally specified taxes starting from 2006 the firms paying fixed tax payment were given the right on voluntary basis to choose to pay value added tax (“VAT”). Out of VAT to be paid to the budget, it was specified to pay up to 50% of fixed tax payment, as well as from 2006 companies were released from payment of environment tax due to its abolishment which used to be charged from their expenditures. Thus, based on a Decree of the President of the Republic of Uzbekistan dated October 5, 2005 “On decrease of tax inspections of entrepreneurs and measures on improvement of taxation system” inspection over financial and operation activities of small firms and farm enterprises will be carried out once per four years.

Moreover, works on legal protection of entrepreneur entities are widely carried out on governmental level. Due to these measures, number of inspections sharply decreased, the right to check financial and operation activities of such entities has given only to tax office bodies, along with adoption of procedures on appliance of legal actions against these entities only through courts. This also eliminated excessive reporting to be made by small firms. Due dates for submission of all reports decreased to once per quarter on the day 10. At that time, President issued a number of decrees and resolutions especially on encouragement of small entrepreneur entities.

Part II. Taxpayers’ registration and fixed tax roll maintenance

Based on Decree of the President of Uzbekistan dated May 24, 2006 under #PK-357 issued in order to create favorable conditions through reduce of administrative costs while establishing business activities, state registration and registration with tax authorities. Starting from September 1, 2006 new procedure on notification about registration of business entities was introduced. This decree specifies procedure and terms of business entities’ state registration at the Ministry of Justice of Uzbekistan and Karakalpakstan, their provincial branches, and districts municipalities and registration with tax and statistics authorities.

While passing through state registration, business entities under justice bodies and municipalities are recorded at tax and statistics bodies by tax inspections.

Issuance of Taxpayer Identification Number (TIN) and sending it to the registering authority takes not more than 8 hours.

According to the law “On Tax Services” the main responsibility of tax personnel is to provide services to legal entities and individuals including issuance of their registration (identification) numbers and provision of documents on their registration as taxpayers.

Tax authorities maintain records of taxpayers. Maintenance of taxpayers’ records is implemented through putting them into tax roll and keeping their records updated.

While taxpayer is registered with tax authorities he/she is given TIN and introduced into Unified Register of Taxpayers of the Republic of Uzbekistan.

The Unified Register of Taxpayers of Uzbekistan is kept by State Tax Committee. The document certifying taxpayer’s registration with tax authorities is a certificate on assignment of identification number which is given by state tax authorities, or in case of taxpayer’s state registration with in-parallel registration with tax and statistics authorities – a certificate on state registration.

Identification number consist of specific codes given to a taxpayer which are assigned to taxpayers centrally by State Tax Committee.

Identification number is given to the following groups of taxpayers:

1. Legal entities;
2. Citizens of Uzbekistan, foreign citizens and persons without citizenship at main place of residence, without permanent residence, however, those with tax liabilities appeared on the

territory of the Republic of Uzbekistan.

Under tax liabilities – it is understood that individuals or legal entities have source of income or the existence of other taxable item.

Registration of legal entity at its place of establishment is carried out by tax office only once. The procedure on issuance of identification number to taxpayer is performed in three stages, which are interconnected.

Stage 1: Individual who deals with legal or business activities should pass state registration as well as registration with tax authorities as taxpayer. Tax authorities based on information provided by state registration bodies fill relevant parts into taxpayer's file.

Stage 2: After processing of relevant information, the file shall be sent to State Tax Committee through internal computer network.

Stage 3: State Tax Committee in due order assigns to individual or legal entity identification number and distributes it to tax offices through internal computer network.

According to the documents on registration of legal entity by relevant tax authorities, State Tax Committee assigns identification codes and after receiving from tax authorities a certificate on registration with tax bodies and issuance of taxpayer identification number the process is considered as complete.

Individual taxpayers shall be given identification number of taxpayer dealing with business activity after filling registration documents on occurrence of tax liabilities at district (city) state tax offices. Registration of other taxpayers and individuals is performed by visiting their places of residence. In order to equalize exchange of information among tax authorities, state municipality and governing bodies, passport number of Uzbekistan citizen and his/her taxpayer identification number (personal code) are displayed.

Individual is subject to registration at state tax office at a place of residence, only once. Each taxpayer can have only one identification number.

The registration of individual at tax authorities is considered as complete based on filled documents at state tax office after issuance of identification number by State Tax Committee.

Those individuals who engaged with business activities will inform state tax office on any changes in their passport details and fill registration documents.

In case of any changes of addresses or account numbers of legal or individuals, they should inform state tax office within definite period and relevant changes will be introduced into Unified Register of Taxpayers.

Taxpayer Identification Number should be documented in:

- documents necessary for registration with tax authorities;
- licenses to deal with specific activities;
- permissions to deal with other activities based on Decree of the Cabinet of Ministers on issuance of TIN;
- financial and settlement documents;
- reports to be submitted to state tax authorities;
- documents to be submitted to social welfare authorities;
- contracts and agreements to be entered between economic entities;
- under incurrence of financial, property and other liabilities of economic entities and based on Decree of Cabinet of Ministers identification number shall be presented at other conditions.

Part III. Record keeping for calculated and paid by taxpayers taxes at tax authorities

Procedure of performance for taxes and compulsory payments is specified by ordinance of State Tax Committee. Tax authorities at place of taxpayers' registration carry out non-accrual accounting of taxes and compulsory payments.

According to the article 127 of Tax Code of Uzbekistan, tax authority calculates amount of tax based on taxpayer's paybook and provided income declaration as well as information

provided by relevant state bodies. In case of late submission by taxpayer of income declaration, paybook on taxes and payments or non display of amount, then tax body has right to calculate an amount of due taxes and payments based on existing information and notify taxpayer on results, accordingly.

In order to keep taxpayers' personal account state tax authorities use the following documents:

- Legal entities in terms specified by tax legislation provide to tax authorities an amount of taxes to be paid to budget during reporting period which are reflected in their accounting statements and tax accounts. Based on those documents tax official calculates the amount to be paid by taxpayer to budget according to the taxpayer's personal account;
- information on payments made by legal taxpayers;
- in order to pay total amount of calculated taxes and compulsory payments into budget, taxpayers submits to banks authorization for payment.

Taxpayers' personal accounts are kept in national currency, i.e. Uzbek Sums.

Electronic signature of responsible official from division accepting reports or its subdivision serves as basis for entering information on tax reports into taxpayers' personal accounts, which was provided electronically, or for changing entered information. The responsible official from division specializing on acceptance of reports or its subdivision enters tax amount indicated within tax report of taxpayer into taxpayer's personal account, makes appropriate notes in tax book indicating amount and date introduced into taxpayer's personal account, and signs this record.

Each record made within taxpayer's personal account, its date, description and types of documents certifying its entry, as well as full name of official who made such record are reflected in Taxpayer's personal account.

Calculation of fines in taxpayer's personal account on taxpayers' taxes and other compulsory payments is performed based on Regulation "on fines calculation procedure over taxes and other compulsory payments" which was registered by Ministry of Justice on October 9, 2007 under # 1724. Violation of due dates for outstanding amount payment indicated in taxpayer's personal account shall cause charge of fine at the rate of 0,05% for each day in arrears. Whereas, for the outstanding amount, which is equal to excess amounts paid on other taxes and compulsory payments, the fines are not charged. The amount of fines cannot exceed outstanding amount on relevant taxes and other compulsory payments.

Part IV. Declaring total annual income of individuals

The Tax Code of the Republic of Uzbekistan is a legal document regulating individuals' income taxation.

In a view of implementation of market reforms and development of business activities in the country, taxation of individual's income becomes an item of great importance. If before the income of different speciality employees was defined administratively, now income differences are becoming greater in terms of wide business possibilities created in the country. Tax collection based on income declaration has its own advantages, one of them is equal distribution of tax income among individuals with low and high levels of income.

Legislation defines ascending tax scale to collect income tax from individuals. As an example, in 2010 according to the acting procedure, the tax rates increases depending on income amount, thus, 5 times more from minimum wage, from 5 times to 10 and more than 10 times based on that income can be collected as per the following rates 11%, 17% and 22%.

Thus, it provides application of "vertical fairness" rule. Specifically, for individuals gaining law income, law rates of income tax are applied, while those persons with higher

income pay income tax per rates relevant to their income.

During economy transition period, number of changes were introduced into procedure of citizens' income declaration. Total annual income used to incorporate property income and others gained during the same period which was presented in declaration of total annual income. According to the Tax Code entered on April 24, 1997 and which was in force until 2008, property income within total annual income was subject to declare with annual incomes. According to the Tax Code approved by Law of the Republic of Uzbekistan dated December 25, 2007 under #URK-196, individual gaining income from property leasing shall pay personal income tax on a monthly basis up to the fifth date of the month which follows after the month of income acquisition, based on provided preliminary declaration. Due after one year, annual amount of personal income tax is recovered on actually acquired income by 15th of January of the next year. The difference between this amount and those amounts paid during a year is subject to recovery from taxpayer or its return not late than March 15, next year.

Taxable based on declaration incomes of residents of Uzbekistan include the following:

- property incomes;
- income from creation of scientific, literature and art works as well as author's right fees;
- profit acquired from other than primary employment sources;
- taxable incomes gained from two or more sources;
- incomes gained from overseas sources;
- incomes acquired from sources without taxation agents.

If taxpayer, according to his/her statement, was collected the highest rate of personal income tax for the profit acquired from other source than his/her primary employment, then he/she is free from submission of declaration on income.

If due to reasonable excuses (being on business trip, illness and others) declaration was not submitted in time, it is necessary to provide to tax office declaration supplemented by explanatory letter and documents evidencing delay.

In case of penalty for non-performance of declaration submission procedure or income tax deficiency, tax office will send to taxpayer request to pay (arrear, fine) penalty on voluntary basis.

Part V. Tax consulting services origination and development in Uzbekistan

While implementing general economic activities, there can occur non-standard conditions requiring correct interpretation of acting legislative acts and proper taxation application. Sometimes questions arise after participation at workshops or training programs. In addition, before submission of tax reports, accountant after discussions with other accountants can come to improper solution. As results, he/she tries to clarify that issue. In addition, this issue can arise during regular audit of enterprise.

In practice, accountant addresses with such questions to tax bodies, because they deal with control over proper calculation of taxes. This type of tax consulting is more favorable from financial perspective, because tax authorities give explanations free of charge and without any additional problems, as if you can always refer to the consultant in case you follow the advice.

The quality of advice is relevant to the form of question raised. Namely, while drafting the question to tax authorities it should be described precisely. If this question relates to usage of tax incentives, then it is necessary to present ordinance document granting such right. In the request to tax authority, it is necessary to present code of activity and most important to provide information on type of enterprise. If there are number of questions, it is better to divide them under different numbers. In addition, it is required to include executor's contact details. This is important while preparing official reply tax official in order to clarify separate aspects of questions may need to contact you. Under such queries, it is better to provide them promptly, as for consideration of taxpayer's questions definite period was allocated. If necessary information

was not provided in due time, then tax official dealing with your queries will have to use available information while preparing reply, whereas issues of importance to you can remain unaddressed or if taxpayer is not in a hurry then explanation can be delayed for a longer period. Both of these situations are against taxpayer's interests.

Sometimes taxpayers indicate their addresses incorrectly or send their queries in old and not valid letterhead of their firm with inactive contact details. Therefore, these requirements of queries should be kept in mind by taxpayers.

Sometimes taxpayers disagree with explanations of tax office in such cases it is necessary to address to a higher authority. While addressing to such higher authority it is necessary to indicate that taxpayer received explanations on his/her queries from state tax office and reasons of taxpayer's disagreement. It is important to provide description of taxpayer's opinion on any given query and enclose copy of explanation letter provided by district tax office.

Adopted by Oliy Majlis (Parliament) Law "On Tax Consulting Services" provides legal basis for tax consulting creation which is the most important key in financial activity of the country. According to the practice of developed countries in market economy conditions in the field of financial services tax consulting effectively coexists with audit, consulting, microlending, valuation services, advocacy and others.

Future development of taxpayer services is interconnected with abovementioned services. Current market of business services provides possibilities to select consultants on accounting and legal issues aroused after taxation and its outcomes.

Whereas, in order to expand and increase the quality of services to be provided on taxation system the abovementioned Law "On Tax Consulting Services" was adopted. Based on this Law, the following tax consulting services are addressed:

- assisting the client in calculation and payment of taxes, fees and other compulsory payments; to provide consulting services for economic entities in order to identify taxable base of their incomes and classification of expenditures as well as guidelines on their payment.
- providing services on filling out documents relevant to taxation issues; to instruct economic entities while preparing necessary documents for tax collection, drafting various forms of reports, timing for submission of tax reports and completion of its schedules; to acknowledge the client on rates for each taxes and tax incentives provided under legal documents; and to update on rights and liabilities of tax offices and economic entities.
- representing interests and rights of the client at the court and at rights protection and control bodies while considering taxation issues. Tax consultants on behalf of economic entity shall clarify on taxpayer's tax issues and provide their conclusion to the court, rights protection and control bodies.
- consulting the client on decrease of taxation level and to assist in its implementation.

According to the law, tax consulting – is an activity by enterprises of tax consultants, which provides tax consultancy services to legal and individuals on contract basis. Therefore, in order to separate and provide independent tax consultancy services to persons dealing with business activities it is prohibited to establish such consulting enterprise by state municipalities and governing bodies, as well as state economic authorities.

Tax consulting enterprise can have any form of incorporation except Joint Stock Company. Moreover, according to the law, individual with qualification certificate is considered as tax consultant, who can practice tax consultancy services under tax consulting enterprise.

Tax consulting enterprise is considered as commercial entity providing tax consultancy services. Being an independent economic entity, it becomes a full-scale member of market relations within current economy development stage.

In order to provide taxpayer services tax bodies should emphasize on creation of special programs for taxpayers. Also opening of special consulting divisions under tax bodies can serve

for these purposes.

Part VI. Public relation activity on tax and results of questionnaire survey made among taxpayers

The basis of taxes and fees payment rests on economic relationships between state and taxpayer. Tax promotion plays an important role in mending these relations. Each taxpayer whether they are individuals or legal entities should not dodge taxes and hide incomes, on the contrary taxpayer should endeavor to develop production and to increase its income.

Promotion of tax policy is specified mainly in the Tax Code of Uzbekistan and within the Law “On Tax Consulting Services”.

Raising of taxpayers’ awareness on tax legislation content and its essentials is carried out by state tax bodies through mass media programs, broadcasts, workshops and meetings.

Currently, activities on creation of professional “Tax Consultants” system are carried out in order to provide practical assistance for taxpayers in proper calculation of taxes and payments and to prevent among them precedents on breaches of tax legislation requirements.

Up to date, state tax bodies widely provide to taxpayers services on update of taxes, other compulsory payments and changes in tax legal documents; calculation of taxes and other compulsory payments; free of charge assistance and advices upon taxpayers’ approach on issues relevant to timely payment of taxes.

The main task of each structural division is to provide and control timely and complete payment by taxpayers of specified within the country taxes and compulsory fees.

For these reasons they arrange various promotion campaigns in order to explain tax legislation, such activities can be applied through the following approaches:

First approach – explanations on tax legislation. This envisages explanations on legal norms in informative form.

Second approach – workshops and meetings. This is oral – legislative explanations, where all taxpaying legal and individuals, individual entrepreneurs are familiarized on tax norms through wide workshops, conferences and debate discussions.

Third approach – individual discussions with taxpayer. This approach has a form of individual discussion with taxpayer where relevant tax office official discusses and explains tax reporting issues and rules of filling declaration.

In order to clarify implementation of tax payment liabilities and attitude between taxpayers and tax bodies, Japanese International Cooperation Agency (JICA) carried out questionnaire survey. The outcome of this survey is very important for understanding tax perception by Uzbekistan citizens and tax authorities’ attitude towards taxpayers.

As respondents, total 500 taxpayers were selected from Tashkent city, Bukhara and Surkhandarya provinces. 217 (37%) out of 500 are “accountants” and 226 (39%) are “relevant to tax paying issues”, while remaining respondents are “partly related” and “not dealing with tax issues in their daily activities”. 471 (94%) of these respondents are paying property and land taxes.

Questions are as follows:

Respondents’ level of satisfaction while approaching for information 257 out of 494 respondents replied “sufficient” and 217 “fair”, in total 470 (95%) persons. 18 respondents replied “not sufficient” and 6 noted as “unsatisfactorily”.

Level of taxpayers’ awareness on their rights

In this point 57% replied “pretty much”, 35% noted “sufficiently” in total 92% of respondents are familiar with their rights. This tendency is present in all points of questionnaire. It can be noted that knowledge is expanded on sufficient level.

About time spent at tax office

40% of respondents replied that 15 minutes are not enough to deal with their outstanding issues and 32% noted that it takes from 15 to 30 minutes to handle their issues.

About attitude of tax officials

65% of respondents replied that attitude of tax officials is “sufficient”, then 32% noted that they are “totally happy” with it. Thus 97% of respondents replied positively. 16 (3%) respondents noted “unsatisfactorily”. There were no respondents who would reply “Completely unacceptable”.

About tax office building, facilities and conditions

64% out of 485 respondents replied “pretty much sufficient” and 29% noted that there are “no inconveniences” in total 93% were positive replies whereas, 37 (7%) respondents suggested “to implement repair works”.

About distribution of “hot line”

In this point 88% of respondents replied “I know” and 12% “I do not know”. If we consider that 80% of each group replied that they know about “hot line” phone, then we can assume taxpayers are well familiar with this issue.

At the end of questionnaire there was point on “recording individual opinion” by respondents

In order to send tax reports through email, Uzbekistan introduced a network on sending tax reports electronically. Due to this commodity, the number of its users is increasing. In this regard, taxpayers and tax organizations need relevant technologies in order to use such commodities.

Part VII. Japanese practice in the area of taxpayer services

1. The importance of “Taxpayer services”

An article 19 of law on the establishment of Ministry of Finance provides the main target for National Tax Agency which is “provision of fair and legal taxation and tax collection within the country”.

According to the “National Tax Agency’s report 2010” which is published at its official website, “an achievement of tax liabilities’ performance by taxpayers on their own will” is defined as an objective and target of National Tax Agency. In order to achieve this target, two objectives are specified, namely “creating conditions for taxpayers (i.e. taxpayer services)” and “maintenance of fair and legal tax administration”.

As per 1st objective, the following activities are undertaken: 1) explanation and raising awareness of public on declaring procedures and on legal acts, and rules of tax payments; 2) timely and proper approach for each query of taxpayer; 3) implementation of wide scale outreach campaigns on importance of taxes and tax administration.

The 2nd objective envisages 1) accurate application of relevant legal documents; 2) assistance in proper filling of declaration and its submission along with inspection of taxpayers with deficiencies in declaration and provision of guidelines to correct those deficiencies; 3) endeavor for timely payment of taxes together with appliance of relevant measures in order to collect arrears from taxpayers, who had not paid taxes.

More specifically, “taxpayer services” and “maintenance of fair and legal tax administration” can be considered as two cores holding tax administration in Japan.

2. Current status of taxation system

(1) Type of taxes and revenue

Japan applied unified declaration system. Though, there are more than 20 types of taxes, according to the budget of 2010, personal income tax (33.8%), corporate income tax (15.9%), consumption (value added) tax (25.8%) compose budget revenue. Thus, revenues from 3 (three) of the listed above taxes make more than 75% of total budget revenues from taxes.

Generally, profit income tax rate is 33.8% and 27.2% out of them are taxes deducted at source. Thus, most of personal income tax taxpayers are employees, and taxes deducted from their salaries can be considered as the main part.

(2) Taxpayers and declaring procedures

1) Physical taxpayers shall calculate their incomes from the previous year and if there is a need to declare their incomes, they should submit their declarations by March 15 of the next year and perform their tax liabilities within certain period of time.

However, there is a large number of taxpayers who are the employees with taxes deducted at source of payment

Namely, in withholding tax at the source of payment, PITs of employees are deducted by enterprises and companies and transferred to the state budget through banks. Moreover, by the end of each year the sum of taxes from annual salary of employee and withheld at source of payment is compared and adjusted so that there is no need to submit declaration and pay taxes.

2) As a rule, taxpaying legal entities after completion of fiscal year (1 year taxation period) should submit their declarations within 2 months.

3) Consumption (value added) tax paid by taxpayers means that economic entities meet specified requirements.

Therefore, taxpayers submitting declaration on consumption tax are legal entities or physical bodies dealing with business, who are considered as taxpayers submitting declaration on profit income tax or corporate income tax.

The timing for submission of declaration on consumption tax and its payment by physical bodies is defined as March 31 of the next year and by legal entities on the date of corporate income declaration submission.

(3) Registration of taxpayers

1) Taxpayers are registered through submission of first declaration of physical bodies, as in Japan incomes of the previous year should be declared by March 15 of the next year.

However, before commencing “business activity” it is necessary to submit “statement on initiation of business activity” and “statement on starting payment of salaries to employees”. Moreover, physical person dealing with business should inform relevant bodies in case of change of its place of business.

2) Whereas, legal entities are playing an important role in society, their establishment is considered as complete only after their registration at the Commercial Register. After making recording at the Register legal entities should submit to tax bodies “statement on its establishment”, “statement on initiation of business activity” and “statement on starting payment of salaries to employees”. Moreover, in case of change in legal address and its management board, legal entities should inform relevant bodies on these changes respectively.

3) Regardless of physical or legal entity, provision of taxpayers’ registration and declaration submission by them is considered as precondition for fair and legal taxation. Especially, based on available information and data about physical persons, tax bodies are able to implement measures on registration of new taxpayers.

(4) Structure of National Tax Agency

1) National Tax Agency was established under the Ministry of Finance after the Second World War in 1949. Agency incorporates 12 regional departments and 524 tax offices. Besides, there are specialized institutions such as Tax College and Tax Tribunal.

Total number of personnel of National Tax Agency including its internal divisions is

52400 persons. Currently, there are 10800 persons working at regional tax departments, 43900 persons at state tax offices, 336 persons at Tax College and 477 persons at Tax Tribunal.

Also, besides tax services employees, municipal corporations have 84000 employees working on collection of local taxes throughout the country.

1) In order to provide services to taxpayers at tax offices there are Front Office (general works), management division (management of requirements and advices on general issues), tax collection division (advices on payment of taxes, levying arrears), physical persons' tax collection division (consulting services for physical persons on PIT and consumption tax and their inspection), legal entities' tax collection division (consulting services for legal entities on corporate income and consumption taxes and their inspection).

Moreover, within tax offices there are also tax officers dealing with taxation of alcohol products (consulting services on taxation of alcohol products and inspection) and tax officers on public relations (outreach activities).

The number of tax offices' personnel can differ from 30 to 200 employees depending on separate region, number of taxpayers and economic conditions.

2) In "taxpayer services" there are no specifically focused on this field employees except of tax officer dealing with public relations on tax outreach activities and tax consulting services provided through phone by tax officers at tax consulting center. If necessary, the employees of each tax division provide tax consulting services and assistance for submission of declaration as a part of "taxpayer services" under general works.

Though there is no separate division dealing only with "taxpayer services" this works are considered as an integral part of each division's main works.

3. Provision of "Taxpayer services"

"Taxpayer services" is not the result of specifically designed for these purposes scheme or plan, on the contrary it was generated through the existing necessity, long period and extensive work of people. Moreover, this field is influenced by reforms in the tax field and changes in the society.

As results, though it is difficult to provide brief description for "taxpayer services", through familiarization with work of tax bodies, this field can be divided into the following: 1) general outreach; 2) provision of individual and detailed guidelines; 3) creation of condition to pay taxes (taxpayer environment).

The above said point can be characterized as follows: point 1 consists of daily outreach activities; point 2 – provision of consulting services and assistance to taxpayers by tax officers; and point 3 is a network of tax consultants, activity of private consulting companies and development of tax education.

The results of all above listed activities can be observed during total income declaring period.

Currently, for convenience of taxpayers all necessary conditions are created through use of information technologies as well as study of taxpayers opinion and suggestions is of great importance.

These works are briefly discussed, below:

(1) Tax outreach activity

In the past, taxpayers were familiarized with the updates in tax field through magazine, journal, TV, and other mass media sources as well as numerous workshops held at tax bodies. Nowadays, the main information on taxes is available at National Tax Agency's internet webpage. Also, besides changes in relevant legislation along with explanatory materials relevant to those changes, one can find in this internet webpage procedures on filling declaration, its forms, as well as assistance in its filling.

(2) Provision of consulting services

Today, it is possible to find in internet questions on taxes and relevant issues.

Also it is possible to get an answer on complicated issue through calling to “Phone consulting center”, where qualified tax officer will reply to one’s queries. In case of fail to receive a proper advice on complicated issue through service phone line, it is possible to get a consultation at tax offices.

Relevant activities are undertaken in the consulting services’ provision in order to meet taxpayers’ highest requirements.

(3) Tax consultant

Currently, in Japan there are registered 71000 tax consultants. According to the Article 1 of law on Tax consultants it is specified that: “tax consultants are allotted to prepare objectively and fairly filled declaration along with achievement of proper performance of tax payment obligations by taxpayers”. In addition, Article 2 of the said law defines activities of tax consultants, such as: 1) representation in tax issues, 2) preparation of tax reports, and 3) provision of tax consulting services.

Taking into account society development along with sophistication of tax legislation, tax consultant is considered as the most required and important profession from taxpayers’ perspective. However, tax consultant’s activities do not limit with preparation of tax reports and representation.

The Law on Tax Consultants defines that tax consultants shall be on side of justice while facilitating tax obligation performance by taxpayers rather than representing interests of taxpayers or tax bodies.

Such tax consultants play a key role within tax administration and are worthy for respect and expectations among the society.

Taxpayers can use tax consultants’ services on a voluntary basis. Provision of services by tax consultant is implemented based on the contract with relevant remuneration.

Currently, in Japan only legal entities and separate businessman, namely physical person are using tax consultants’ services.

(4)Use of Private Associations

Japanese tax bodies undertake activities on distribution of taxes relevant information to taxpayers directly and through various associations and groups.

Below provided associations, which are established based on taxes paid by their members, are implementing nationwide activities along with arrangement of training and workshops for their members; adjustment to the legal requirements of changes to consumption tax law; promotion of e-tax network and “tax week”. Besides, private associations generate taxpayers’ opinions and suggestions. Moreover, they assist in development of Japanese tax administration through the collection of taxpayers’ opinions and suggestions with regard to taxation system.

1)Blue declaration association (the unified business association of physical persons who submit blue declaration);

2)Association of legal entities (an association of legal entities outreaching wide distribution of tax related knowledge and accurate declaring);

3)Association of indirect taxes (an association studying indirect taxes for the development of tax administration);

4)Association on tax saving (association focused on timely payment of taxes through collection of funds);

5)Tax payment Association (Osaka based association focused on wide outreach of tax related information, promotion of procedure on proper declaration, as well as increase of conscious payment of taxes).

(5) Development of tax education

1) It is important to raise awareness of students from elementary, secondary and high schools, who are the future managers of society on correct perception of taxes and its mechanisms. In Japan, classes on taxes are introduced within social sciences of education program.

2) Taking into account that for school teachers it would be difficult to give classes on tax system, in most cases officers of tax offices are invited as lecturers.

3) As elementary and secondary schools pertain to city hall, tax offices of relevant regions, city and town halls with cooperation of schools create committees who are developing relevant to the region tax textbooks.

4) Also association of tax consultants are engaged with tax education in order to make their contribution for society. Under guidance of National Tax Agency, tax consultants develop textbooks of different levels for school students. In addition, tax consultants from regional branches of their associations provide lectures for relevant regional schools, thus greatly contributing into the tax education system of Japan.

4. Future plans

(1) Objectives

According to the “National Tax Agency’s report 2010” in order to develop “taxpayer services” further activities are defined:

1) to set out a system on explanation of tax related information and legal acts in order taxpayers can proper submit declaration;

2) to create conveniences for taxpayers’ filling declaration and payment of taxes through E-tax (submission of declaration through email) and use of internet webpage of National Tax Agency “Declaration filling section”;

3) to develop prior notice system for taxpayers to be notified on application of tax related legislation while performing their business activities;

4) to increase work efficiency on withholding taxpayer through raising their awareness on tax related issues;

5) to enhance cooperation with associations of tax consultants.

(2) Conclusion

Currently, due to Japanese society has very low birthrate and intensive ageing of its population, the globalization inflow is very high.

As results, it complicates the system and diversifies business relations while making work of tax bodies more difficult along with increase in volume of works.

Moreover, due to difficult financial situation, the government of Japan will not allow to increase the personnel and budget of National Tax Agency.

Taking into account, complicated environment set out around tax administration, National Tax Agency endeavors for efficient use of human and material resources.

Finally, due to high rates of information technologies’ growth, along with creation of conveniences for taxpayers, today the main task is to arrange connection of “taxpayer services” with information technologies.

LIST OF LITERATURE USED

LAWS OF THE REPUBLIC OF UZBEKISTAN

**PUBLICATIONS, DECREES AND RESOLUTIONS OF THE PRESIDENT OF THE
REPUBLIC OF UZBEKISTAN**

**RESOLUTIONS OF THE CABINET OF MINISTERS OF THE REPUBLIC OF
UZBEKISTAN**

**NORMATIVE-LEGAL DOCUMENTS OF THE MINISTRIES OF THE REPUBLIC OF
UZBEKISTAN**

SPECIAL LITERATURE

Attachments

Dynamic of changes in share of small firms on GDP

Modification of unified tax payment rate for small firms

Dynamic of changes in income tax rates during 1995-2010

Dynamic of changes in profit income tax rates during 1998-2010