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## PRIORITIES FOR IMPROVING THE MECHANISMS OF TAXATION OF E-COMMERCE

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### **Annotation:**

*This thesis explores the priority directions for improving the taxation mechanisms of e-commerce. In particular, it analyzes the development of digital infrastructure, the implementation of international e-commerce platforms, the modernization of logistics systems, and the support measures for e-commerce entities through tax incentives. Additionally, the thesis raises issues regarding the need to establish legal foundations and judicial mechanisms specifically for the taxation of e-commerce. It substantiates the necessity of developing a customized tax approach for the e-commerce sector and, through this, the formation of a new digital ecosystem within the national economy.*

### **Key words:**

*E-commerce, taxation mechanism, logistics, digital infrastructure, tax incentives, small business, loans, judicial system, digital economy, e-commerce platforms.*

### **Introduction.**

To develop the telecommunications infrastructure, provide remote settlements of the country with telecommunication networks, and improve the quality of mobile communication and Internet services, it has been decided to expand broadband Internet access based on the "last mile" principle. In addition, a meeting was held at the Ministry of Information Technologies and Communications Development with representatives of the World Bank regarding the implementation of the international "Digital Central Asia – South Asia" (Digital CASA) project. This project aims to connect the Central and South Asian regions through fiber-optic networks and to develop the digital economy, infrastructure, e-government systems, and more in those regions. Regarding the integration of trade and marketing platforms, online stores, payment systems, and logistics systems into e-commerce, we can note that on February 8, 2018, a memorandum of understanding was signed between the international Zoodel company and JSC "Uzbekistan Post." As a result, the ZoodMall online trading platform was scheduled to be launched in Uzbekistan in 2018, enabling domestic and international manufacturers and dealers to sell their products directly without intermediaries. This allows Uzbek products to reach hundreds of millions of potential

buyers daily.

In our country, reforms must be carried out to develop the logistics system, enhance the capacity for delivering domestically produced goods, and improve the operation of existing logistics centers. According to the meeting chaired by President Shavkat Mirziyoyev on December 6, 2017, dedicated to improving the activities of the "Navoi" international intermodal logistics center, such a center was established in 2008 at the Navoi airport to increase Uzbekistan's transport and transit potential and facilitate the export of goods produced in the "Navoi" free economic zone. From the outset, all types of tax benefits and customs preferences were granted to this logistics center. Satellite infrastructure was developed, and management was entrusted to the Korean Air company. However, an analysis of the center's activities revealed that, despite all these favorable conditions, the terminal's full capacity was not being utilized. Less than 20% of the annual capacity of 100,000 tons was being used. Over eight years, only 300,000 tons of cargo were transported through this airport, which clearly indicates the need to reform the logistics system.

Currently, as the tax system is undergoing reforms and shifting towards encouraging voluntary compliance and trust, eliminating outdated minimum tax thresholds and allowing the import of EURO-5 standard freight vehicles without customs duties will contribute to the development of e-commerce and its core logistics services in our country.

Given the urgency of promoting e-commerce in our republic, it is appropriate to offer specific incentives. For individual entrepreneurs and legal entities seeking to develop e-commerce operations, their employees engaged in this field should be exempted from paying the unified social payment and insurance contributions. Also, if a business classifies as a small enterprise and hires additional staff to support e-commerce operations, the maximum employee limit should be increased by 30% while preserving its small business status. Furthermore, individual entrepreneurs should be granted the right to hire one additional worker specifically for the development of e-commerce. These incentives will significantly contribute to the rapid development of the e-commerce sector in our country.

Moreover, if companies and business entities apply to commercial banks for loans to develop e-commerce activities, they should be offered preferential loans at the refinancing rate or at lower interest rates. These business entities would then be able to invest in the development of e-commerce, resulting in increased turnover and the opportunity to present their products attractively on global markets. This, in turn, will positively impact both the business sector and state budget revenues.

While promoting the development of e-commerce, it is also necessary to determine how it should be taxed: should a separate tax procedure be developed, or should it be taxed under the same mechanisms as traditional commerce? Regulations need to be developed to address such questions, including the establishment of a judicial and legal framework to govern relationships in this area and introduce appropriate liability measures. A separate chapter should be introduced in the Tax Code of the Republic of Uzbekistan to clarify matters related to e-commerce taxation. These issues should be addressed comprehensively so that entrepreneurs and citizens can gain a clear understanding of the government's attitude toward e-commerce and the potential benefits, incentives, and opportunities that may be introduced in the coming years.

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