



## SOME ISSUES OF THE USE OF AUDIT METHODS IN THE CONTROL OF BENEFITS ON CUSTOMS PAYMENTS

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### Abstract

In world practice, state regulation of foreign economic activity is aimed at ensuring, first of all, national economic security, which should be understood as the protection of the economy from internal and external adverse factors that disrupt the normal functioning of the internal reproduction process, reduce living standards and generate adverse social consequences. Close attention to foreign economic activity of economic entities by the state is also due to the fact that in its income the most important place belongs to taxes and fees paid by participants in foreign economic activity.

**Key words:** *customs authorities, benefits, customs audit, customs monitoring, accounting and reporting, traceability of goods*

### 1. Introduction

It should be noted that the term customs audit has been widely used in developed foreign practice for many years (Joraev and Meyliev, 2004). Since Standard 6.6 of the International (Kyoto) Convention on the Harmonization and Simplification of Customs Procedures of May 18, 1973 (revised in 1999) states that "customs control shall include control based on audit methods", most countries have customs authorities after the goods have crossed the border. , in relation to them, a customs audit designed to control, with targeted and selective checks at the border customs posts, is being used. Based on the definition of E.3/F.4 of the Kyoto Convention, control based on audit methods means "checking that the BYuD is filled in correctly and that the information shown

in them is correct by checking the accounts, accounts, information related to document circulation and commercial information available to TIF participants. "Measures that allow checking the correctness" are understood (Burkhanov and Tursunov, 2020).

### 2. Literature Review

Article 7.5 of the Agreement on the Simplification of Trade Procedures of the WTO states that "Member States of the WTO must fulfill the requirements regarding the introduction of customs audits in order to improve their customs administration". In this Agreement, the requirements for the introduction of customs audit are described as follows (Tayeyin Kim and Koreya, 2016).

In order to speed up the release of goods, the customs of each member state should include norms on the introduction of Post-Clearance Audit in its customs legislation; that each member state selects persons or goods to be subject to customs audits using appropriate

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selection criteria, applying a risk management system, and conducts customs audits in a transparent manner.

The subsequent use of the information obtained as a result of customs audit in administrative or judicial proceedings (Tursunov, 2019). Member States should, as far as possible, use the results of customs audits in the implementation of the risk management system. In the countries of the European Union, customs control using audit methods (post clearance audit) is defined as the basis of customs control, and its further development is defined as one of the directions for improving the customs administration system (Kazunari Igarashi, 2005).

In Canada, the customs audit process is conducted as "Post-Release Verification" (Zokirjon Makhkamov, 2021). It is a customs control mechanism and is a comprehensive inspection of strategic importance determined by the risk management system. In this, the main focus is on customs tariff classification, customs regime, country of origin of goods and customs value. Canadian customs audit is conducted in two different forms, taking into account the specific needs of the importer's activity programs and features, i.e. multi-program (Multi-program) and single-program (Single-program) (Ostonokulov, 2020).

A dynamic post-release inspection system allows customs authorities to use different programs in a mode that can be changed or updated as needed, including the ability to adapt risk assessment strategies as part of the inspection regime.

In Japan, customs control using audit methods is considered an important tool to simplify customs procedures and, therefore, to prevent violations of the law and fraud. Japanese customs service TIF participants (Meliev, 2020).

Persons who have paid customs fees in the amount of 1 million yen and more are called "managed importers" and their verification is

carried out through a Post-Clearance Audit (Sherzod Azizov *et al.*, 2021).

In the Republic of Korea, a post-audit system was developed and introduced in July 1996, the purpose of which is to control the declared customs value of imported goods, as well as the correct determination of customs duties after the goods are released for free circulation. Such a system was designed to simplify customs procedures while strengthening control over dishonest TIF participants.

In 2013, as a result of customs inspections and investigations, the Korea Customs Service collected additional fees of 200 million US dollars, which is 4.4 times more than the figure in 2012. Since then, this number has been steadily increasing. There are the following main types of customs audits in Korea:

- i) Corporate audit (Corporate audit) - regular (usually every 4 years).
- ii) Planned audit (Planned audit) - by sectors (permanent).
- iii) Comprehensive audit (Comprehensive audit) – For authorized economic operators (usually every 5 years).

Summarizing the above analysis further, information on the types of audits after customs clearance and the period of activity covered by the entity can be presented in the form of a table as follows (Table - 1).

Taking into account the above, in our opinion, the customs audit should be camera-based and mobile and cover the last 3 years of activity of the authorized person. Based on this, it is appropriate to introduce relevant additions and changes to the current legislation on the obligation to ensure the preservation of documents related to customs clearance for a period of 3 years for any business entity engaged in export and import (Kyoto, 1973).

According to JBT's "Recommendations on the implementation of audits after customs clearance" (Sherzod Azizov *et al.*, 2021), border control still plays an important role in the work of the customs service, but it requires a lot of



time to conduct all checks during registration. This reduces the efficiency of the inspection. Inspections in modern international trade can result in timely inspection of goods without hindrance, resulting in national economic benefits. Therefore, customs administrations of many countries now pay more attention to the form of audit of goods after customs clearance, while carrying out targeted inspection of goods on the basis of selection at the borders. In developed countries, this type of control is called "post-clearance audit" and can be understood as a structural study of relevant commercial business systems, trade contracts, financial and non-financial reports, physical stocks of goods and other assets, as a means of measuring and improving standards in relation to technical standards. According to the recommendations of the JBT, the following are the main objectives of the customs audit (Kazunari Igarashi, 2005).

Ensure that customs declarations are completed in accordance with customs requirements by checking the importer's system, accounting and premises; to ensure that the amount of payments is correctly calculated and paid; ensure proper declaration of imported/exported goods, including bans and restrictions, licenses, quotas, CITES, etc.; facilitating the international movement of goods.

After the audit structures and systems are defined, the next step is to develop an audit plan. The plan allows you to determine how many inspections will be conducted and which organizations will be inspected during a specified period (usually one year). Sometimes, separate groups are created to audit large enterprises. In this model, part of the staff is suitable only for large business enterprises and it is necessary to ensure constant compliance with the standards and requirements of these enterprises. It can also be useful in training professionals in various trades, such as automotive, textiles, chemicals, and others. The

selection of the audit object is usually carried out by the risk analysis system. The selection should be made on the basis of risk assessment, and also partially human factor resources should be taken into account (Burkhanov and Tursunov, 2020). The risk analysis team provides or proposes a plan to the team responsible for conducting the audit. It is very important that the audit results are sent back to the risk analysis team after the inspection. It should be recognized that the use of the importer's accounting system is required for effective control in areas such as customs value. But in many TIF entities, poor or non-existent accounting system, cash transactions or lack of a permanent office of the TIF participant are the main problems of the customs audit. In such cases, the only realistic option is to eliminate risks during border control.

### 3. Analysis and Results

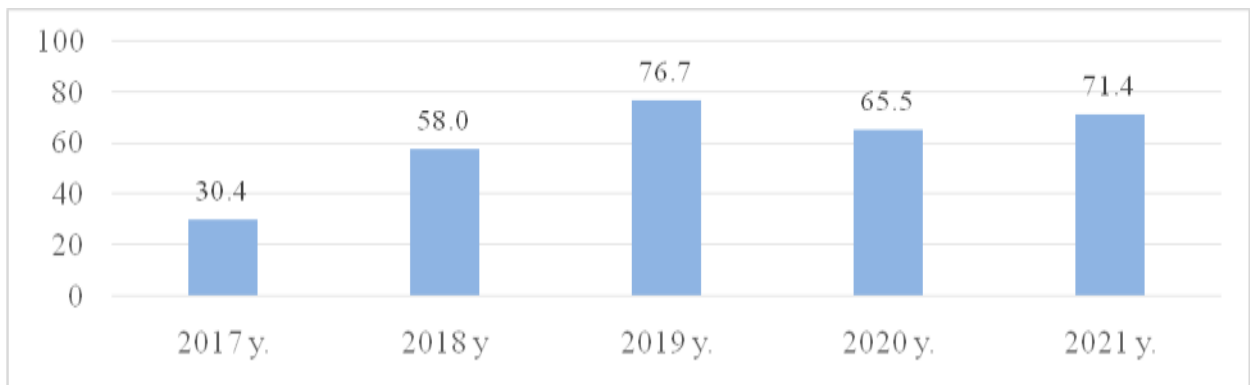
While the growth of foreign trade is one of the main factors of the development of the country's economy, it also has a positive effect on the increase of customs payments, and this, in turn, contributes to the increase of the revenue part of the state budget. Here, if we analyze the customs fees calculated in recent years, the total customs fees calculated in 2017 amounted to 30.4 trillion. amounted to 71.4 trillion soums in 2021. amounting to soums, we can see that it has increased by 2.3 times compared to the period under comparison (Figure - 1).

Today, the customs procedures are simplified and the current procedures are eased, business entities are given various benefits from customs fees, and additional opportunities are created in the field. At this point, if we analyze the composition of the calculated customs fees, the collected customs fees in 2021 will be 33.2 trillion. 38.2 trillion soums and benefits granted. amounting to soums, it can be seen that the collected customs fees increased by 4.4 times and the benefits granted by 1.7 times compared to 2017 (Figure - 2).

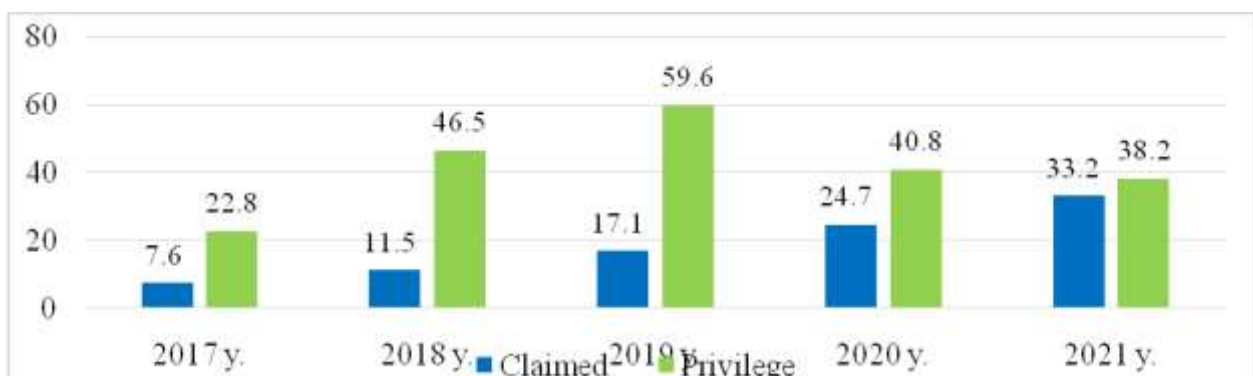


**Table - 1: Types and terms of Customs audits in Foreign countries**

States	Name of the audit	Types of Audit	Transfer period
EU	Post-Clearance Audit	Cameral, portable	up to 7 years
Canada	Post-Release Verification	Based on Multiple or Single application	up to 4 years
Japan	Post-Clearance Audit	General and simplified	2, 4, 7 years
Korea	Post-Clearance Audit	Corporate, planned, complex	90 days –
China	Post-Clearance Audit	Cameral, portable	5 years
EOII	Customs inspection	Cameral, traveling, relatable individuals	2-3 years



**Figure – 1: Estimated customs fees, trillion. in sum [19]**



**Figure - 2: Collected customs fees and benefits granted from them (trln. soums)**



**Table - 3 Analysis of benefits from customs payments in 2021 in the section of legal documents**

№	Document type	Share in %	Total benefit (billion soums)			
				VAT	Import duty	Excise tax
1		39,8	15 170,84	5 452,15	9 711,23	7,47
2	Decision and decree of the President of the Republic of Uzbekistan	29,6	11 294,29	11 293,98	0	0,31
3	Tax Code	13,9	5 296,89	711,07	4 585,82	0
4	International agreements	10,6	4 042,75	770,33	3 272,37	0,04
5	Customs Code	4,7	1 796,33	203,08	1 593,25	0
6	Government decisions	1,4	556,44	350,72	205,22	0,51
	Laws	<b>100,0</b>	<b>38 157,54</b>	<b>18 781,33</b>	<b>19 367,89</b>	<b>8,33</b>

According to John Maynard Keynes, the founder of the Keynesian theory, who justified the intervention of the state in the economy and the need to regulate it, "in addition to the fiscal function, taxes have the functions of regulating the economy, stimulating and managing income, these functions of the tax are due to the need to use it as a means of regulating the economy and ensuring sustainable economic growth originates" (Kazunari Igarashi, 2005).

In 2021, if we consider the benefits from customs payments in terms of types of legal documents, 39.8 % of the total benefits are based on the decisions and decrees of the President of the Republic of Uzbekistan, 40.2 % are based on the Codes of the Republic of Uzbekistan, 13.9 % are international agreements, 4.7 % are Government decisions and We can see that 1.4 percent is given on the basis of the Laws of the Republic of Uzbekistan (Table - 3).

In accordance with the Customs Code, other laws, as well as the decisions of the President of the Republic of Uzbekistan, exemptions from customs fees may be granted to legal entities and individuals.

Today, the customs procedures are simplified and the current procedures are eased, business entities are given various benefits from

customs fees, and additional opportunities are created in the field. In particular, according to the Decree of the President of the Republic of Uzbekistan (Ostonokulov, 2020), state control structures should ensure the priority of the rights and legal interests of entrepreneurs, should be engaged in the prevention (prophylaxis) of violations, to determine the responsibility of officials who recovery of the damage caused from the culprit was determined. Based on this Decree, from January 1, 2017, the cancellation of all types of unscheduled inspections and alternative inspections within the framework of criminal cases, in turn, requires the introduction of simple and effective methods of the control mechanism of the purposeful use of benefits, including the control of business entities after customs clearance.

When analyzing the customs fees calculated in 2015 - 2021, the benefits granted to business entities from customs fees were part of the total calculated customs fees in 2015

It was 65.9 percent, 77.7 percent in 2019, and 51.4 percent in 2021 (Figure - 3.4). The decrease in the share of benefits in the structure of calculated customs fees, in turn, serves to create a healthy competitive environment for business entities that import goods from abroad while paying customs fees.



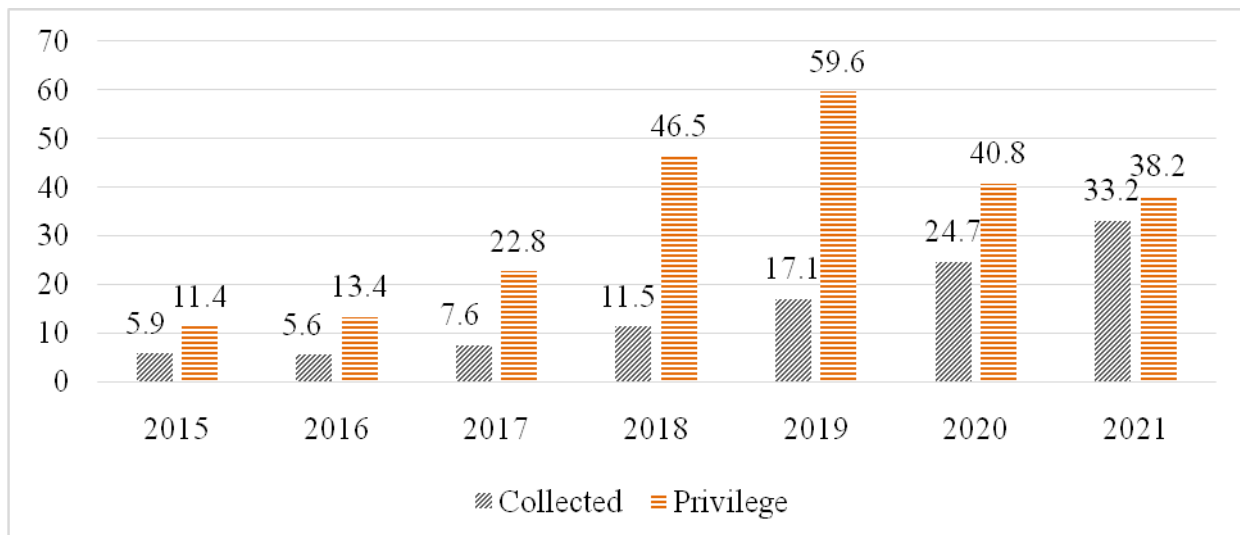


Figure - 2: Estimated customs fees in 2015 - 2021 (in billion soums)

Table – 4: Special methods of Customs audit

N <sup>o</sup>	Methods	Check form
1.	Comparing related graphs in BYuD	Cameral, Mobile
2.	Comparison of information in BYuD with electronic copies of submitted primary documents	Cameral, Mobile
3.	Check additional units of measurement	Cameral, Mobile
4.	Comparison with the information of foreign customs authorities	Cameral, Mobile
5.	Verification of documents and permits	Cameral, Mobile
6.	Study of the history of the business entity for customs purposes	Cameral, Mobile
7.	Control of customs value of goods	Cameral, Mobile
8.	Appointment of additional examination or expertise	Cameral, Mobile
9.	Sending local and international surveys	Cameral, Mobile
10.	Learning about privileges and preferences	Cameral, Mobile
11.	Examining the compatibility of the provided information with the product	Mobile
12.	Comparison of information in the BYuD with the original copies of the provided primary documents	Mobile
13.	To study the purposeful use of the privilege	Mobile
14.	Study of compliance of information in BYuD with accounting documents	Mobile

Such privileges make a great contribution to the year-by-year increase in the production of competitive consumer goods in our republic and to the growth of the export potential of our republic. However, there are also cases of entrepreneurs who, abusing such opportunities given to them, do not use the imported raw materials with preferential customs fees in production, but simply sell them on the domestic market. Example: The customs value of 6 containers by a tailoring enterprise is 1 mln. A large amount of knitwear and accessories worth

190,000 US dollars was imported, and 1.6 billion of customs fees were paid for these goods, a concession of soums was given. When this situation was investigated by the customs officials, the enterprise established a sewing enterprise just to get benefits from customs fees, and although the documents indicated that 20 - 25 workers were involved, in reality, this enterprise was not engaged in production activities at all, using imported raw materials aimlessly and domestically. It has been determined that he has been engaged in selling in the market. According to the analysis, this



enterprise will have to spend at least 2.5 - 3 years for the full production of imported goods based on the available capacity. During this period, the marketability (fashion) of these fabrics becomes obsolete. In this case, 1.6 billion. Soums were considered as customs fees, and a criminal case was initiated under the relevant article of the Criminal Code of the Republic of Uzbekistan.

In another letter, according to the above decision, 7.9 billion of customs fees were deducted from 39 import contracts in 2016 - 2017 during the inspection of the foreign enterprise. it was determined that the concession in the amount of soums was applied. When the actual development process of the enterprise was checked, it was found that in the above period the enterprise was engaged in the production of dyed knitted fabrics (decision requirement - production of finished knitted products). According to the decision of the President of the Republic of Uzbekistan No. PQ-842, according to the response letter received from the tax authorities of the Tashkent region customs department, 2 billion was given to another company by this decision. it was found that the soum privilege was used without purpose (Burkhanov and Tursunov, 2020).

The difference between customs audit and other forms of customs control is the possibility of applying generally recognized and special methods of audit. Therefore, customs audit staff should have skills in applying general and special audit methods. Customs audit differs from other forms of customs control mainly in that it is carried out after customs clearance, and the results of the customs audit lead to one or another liability. It becomes more serious especially when uncollected customs fees are revealed to the state budget. Therefore, any decisions related to the additional calculation of customs fees should be made after thorough studies. Usually, the main subject of customs control is BYuD, which is submitted for the clearance of goods and vehicles to a certain customs regime. The reason is that all information about the goods subject to customs clearance, documents confirming this

information and calculated customs fees should be reflected in this document, that is, BYuD. For information, it can be said that in 2018, about 630,000 BYuD were issued by the customs authorities, and by 2021, this figure will be more than 896,000.

Based on the above, the correctness of the information in the BYuD, including the correct calculation of customs fees, the correct determination of the customs value, the correct use of privileges and preferences, the correctness of the code numbers specific to the TIF TN, and at the same time the use of customs fees in the audit process in order to eliminate deficiencies We can cite the following as possible special methods (Table - 4).

As can be seen from the above methods, a simplified customs clearance procedure is used, i.e. goods selected on the basis of risk profiles for goods exported without the use of customs control forms, in order to control whether customs fees have been fully collected, benefits have been correctly applied, or benefits have been used purposefully in the future to control the production or storage of goods by the business entity. it will be necessary to carry it out. This requires the use of a mobile form of customs audit.

#### **4. Conclusions and Recommendations**

Taking into account the above, based on the recommendations of the JBT and the experience of developed countries, in our opinion, in order to increase the effectiveness of the audit of customs payments and to optimize the period of the customs audit in order to use the available resources, it is necessary to make appropriate changes to the current legislation. In particular, paragraph 4 of Article 201 of the Customs Code of the Republic of Uzbekistan entitled "Customs control after the export of goods" stipulates that "customs control after the export of goods shall be carried out no more than once under the same contract (agreement, agreement)". Taking into account the fact that foreign trade contracts are often based on long-term agreements, sometimes 8-10 years, the import of goods is carried out on the basis of "the same contract", the exclusion of



the norm in paragraph 4 of the above article, as well as in paragraph 5 of this article "Customs control after the export of goods" and the additional calculation of customs fees shall be carried out within one year from the end of the customs control of the goods"

Change to "three years" is required. Effective customs audits require the use of the importer's billing system. But most of the time TIF entities do not have a good accounting system or lack thereof, cash sales or lack of its permanent office is one of the main problems in the customs audit. Taking into account that in developed countries, the only realistic option is to eliminate risks during the control of goods at the border posts of initial entry, when goods are imported by the above entities, it is necessary to ensure the full implementation of customs control at the entry customs posts (through the red corridor) as much as possible. Due to the fact that the audit of customs fees is a new form of customs control, the employees working in this direction should have knowledge such as calculation of customs fees, application of benefits and preferences, determination of the TIF TN code and customs value of the goods, accounting of the enterprise, and so that they can constantly improve their knowledge. It is desirable to systematically launch training courses, in which it is desirable to further strengthen cooperation with the customs authorities of the JBT and foreign countries.

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