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The Impact of Excise Taxation of Excise Goods on the State Budget

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Abstract: This article highlights the features of excise taxation of goods. It examines the specific aspects and influencing factors of excise taxation during the import/export of tobacco and alcoholic products. Based on practical data, the article analyzes the dynamics of excise rates and emphasizes the role of excise revenues in the budgets of all levels.

Key words: alcoholic products, excisable goods, tax rate, excise, taxation, excise rate, tobacco products, pandemic, alcohol-containing goods, rate types, marked goods.

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Establishing an optimal tax environment is one of the most important conditions for the effective activity of taxpayers, particularly concerning excisable goods. Under the conditions of the economy's innovative development, Uzbekistan's tax system has accumulated significant experience in regulating excise taxation. However, this issue — of both scientific and practical importance — has not been sufficiently covered in domestic or foreign economic literature. Therefore, the study and generalization of excise taxation systems largely depend on the theoretical and methodological foundations of research.

It should be noted that this element of economic regulation does not exclude government intervention. Excise taxes are regulated centrally, which is currently crucial for managing the tax system. Therefore, taxes levied on tobacco and alcoholic products, including those moved across CIS borders, are a vital part of the national taxation system, pricing structure, and an essential means of replenishing revenues at all budgetary levels.

CIS scholars like Kerimov A.T., Kurmakaev E.Sh., Manushina A.P., Mizyureva V.V., Ogorodnikova E.P., Plakhova A.A., Romanova D.E., Ryshdina A.O., Tikhonova A.V., Khapizova A.S., Chaykovskaya Yu.Yu., and others, as well as domestic economists such as Sabirov Kh., Zaynalov Dzh.R., Alieva S.S., and Akhrorov Z., have devoted special attention to the excise taxation of tobacco and alcohol in their research.

Studying alcohol and tobacco as objects of taxation is complex. On the one hand, they generate super-profits for entrepreneurs and the state; on the other hand, they are undesirable goods whose consumption is discouraged to protect public health. This duality justifies their excise taxation and leads to a consistent increase in the excise burden on these goods.

An effective way to increase budget revenues is to improve the excise taxation of alcohol, alcohol-containing, and tobacco products. The tax base for these goods is determined by the Tax Code of Uzbekistan, which links taxation during import/export to the chosen customs procedure.

Economists advocate limiting excise tax rates to maintain competitiveness for producers. Domestic economists have contributed to the development of a theoretical excise tax system. A key part of the analysis is understanding how excise taxes are collected and their role in forming public expenditures.

A unique aspect of excise collection on tobacco and alcohol is that it applies to marked goods. The tax obligation begins upon importation into Uzbekistan, and the tax base varies depending on the type of excise mark and tax rate (see Fig. 1).

Some CIS countries use an indicative excise rate — an average value that serves as a baseline for national rates. Most countries apply specific rates, with Armenia using both ad valorem and specific rates[1,2,3]

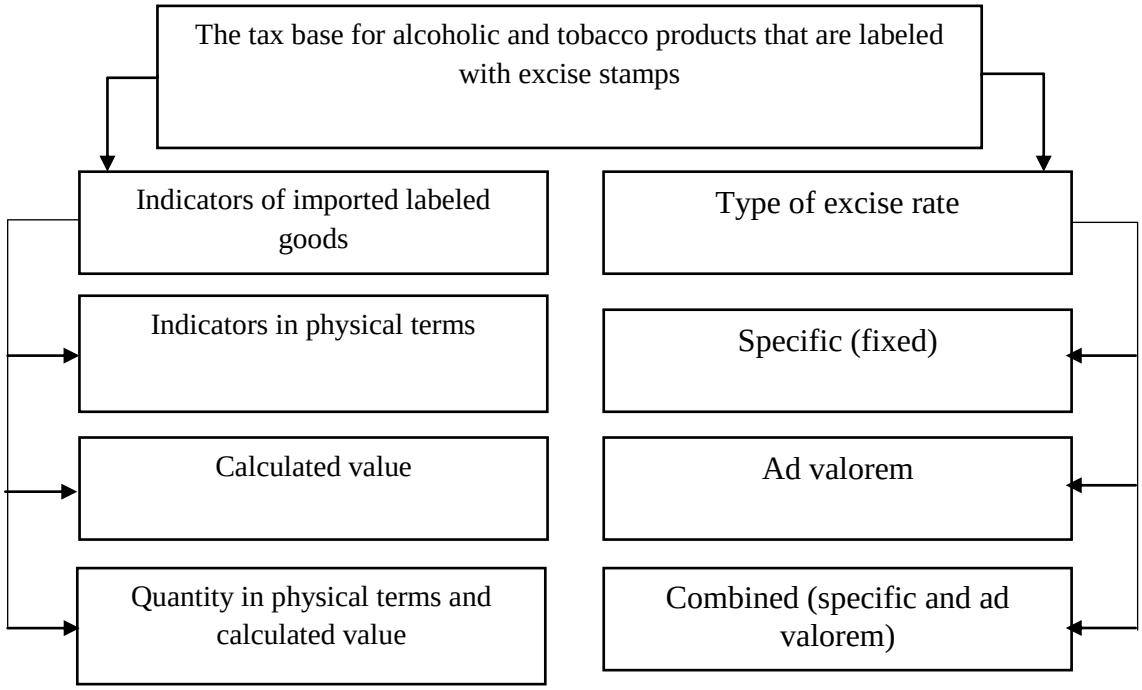

Fig. 1. Tax base for alcohol and tobacco products subject to excise labeling.

Excise rates on these products have been consistently increasing, with the sharpest rise in tobacco taxes occurring in 2021. The overall dynamics were as follows: Armenia and Belarus – 152%, Kazakhstan – 148%, Kyrgyzstan – 160%, Russia – 137%, Uzbekistan – 140.9%[4].

The COVID-19 pandemic of 2020–2021 caused significant economic damage. Compensation will rely on excise taxes, particularly on alcohol and tobacco, which saw rate hikes starting in 2022. While necessary, these increases influence price formation and inflation[5, 6]. Hence, attention should also be paid to other tax bases. Under the current economic circumstances, particularly the pandemic, excise taxes should not apply to food sectors and are more suitable as a “luxury tax.” CIS countries are working toward harmonizing excise rates on alcohol and tobacco, which helps mitigate integration-related risks within the EAEU.

Proposals:

1. Import/export excise taxes on tobacco and alcohol should be eased, as they depend on the chosen customs procedure.
2. Excise taxes should function more like luxury taxes. Reducing excises on alcohol and tobacco may help reduce food-related inflation.

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