


IDENTIFICATION OF TAXPAYERS IN ELECTRONIC COMMERCE

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Article Info	ABSTRACT
<p>Article history: Received May 21, 2024 Revised Jul 16, 2024 Accepted Aug 17, 2024</p> <p>Keywords: e-commerce taxpayers tax subject</p>	<p>E-commerce activities differ from traditional commerce in that they are not located at a specific address, which, while convenient for the seller and customer, creates difficulties for the state in determining the taxpayer, tax object, and tax base. Therefore, identification of taxpayers in e-commerce is one of the primary tasks of the state and direct tax authorities today.</p> <p>This is an open-access article under the CC-BY 4.0 license.</p> 

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INTRODUCTION

The rapid growth of electronic commerce (e-commerce) in recent decades has significantly transformed the global economic landscape. Advanced digital technologies have enabled seamless cross-border transactions, expanding market access for businesses and consumers alike. However, this rapid expansion also presents challenges, particularly in terms of taxation. The rise of e-commerce has created complexities in identifying taxpayers, as traditional tax frameworks struggle to keep pace with the dynamic nature of digital transactions. This issue is particularly evident in areas such as jurisdictional taxation, where determining the location of income generation and tax liabilities becomes increasingly ambiguous [1].

The lack of clear guidelines and regulations regarding taxation in e-commerce has led to potential revenue losses for governments worldwide. Tax authorities face difficulties in enforcing tax obligations on entities operating in virtual environments, which can result in tax avoidance and underreporting [2]. In this context, the identification of e-commerce taxpayers becomes a crucial step in ensuring equitable tax systems and safeguarding public revenue. The OECD has recognized the importance of adapting international tax standards to address these challenges, emphasizing the need for cooperation among tax authorities [3].

In e-commerce, distinguishing between business-to-consumer (B2C) and business-to-business (B2B) transactions poses additional challenges in taxpayer identification. The

anonymity provided by digital platforms, coupled with the use of intermediaries such as payment processors and third-party logistics providers, complicates the tracking of taxable transactions. As a result, many e-commerce businesses may go unregistered or underreport their revenues, further exacerbating the issue [4].

Furthermore, the rise of new business models in e-commerce, such as platform-based and gig economy services, has blurred the lines between consumers and service providers. This complicates the traditional definitions of taxpayers, requiring tax authorities to rethink their strategies in regulating and taxing these digital activities [5]. Given the global nature of e-commerce, developing a standardized approach to identifying taxpayers is essential to creating an effective and fair taxation system.

This paper aims to explore the key issues related to the identification of taxpayers in the e-commerce sector. It will examine current challenges, review international efforts to address the issue, and propose strategies for improving taxpayer identification processes in the digital economy.

METHODS

This study utilizes a mixed-methods approach, combining both qualitative and quantitative data to explore the identification of taxpayers in the e-commerce sector. A descriptive design will be employed, focusing on analyzing existing tax frameworks and policies related to digital commerce. The primary data will be collected from various sources, including government tax records, case studies of e-commerce platforms, and interviews with tax experts. Secondary data will be gathered through the review of relevant literature and international tax regulations, including OECD guidelines. A comparative analysis of different countries' approaches to e-commerce taxation will be conducted to identify best practices and key challenges. The findings will be analyzed using statistical tools to assess the effectiveness of current taxpayer identification systems, with a focus on improving compliance and minimizing tax evasion.

RESULTS AND DISCUSSION

Today, almost all of us use the Internet every day to buy goods or products from restaurants, we find information about the seller, his goods, prices through social networks, in short, we bargain. Both the customer and the seller will be interested in this, but not the state. The reason is that the trillions of sums transferred between the seller and the customer are hidden, and the tax authorities do not get information about them, as a result, a hidden economy is formed. The problem of legal regulation of e-commerce taxation is becoming more and more relevant for most countries of the world, and countries have not developed a single recognized practice on this issue. Currently, a clear mechanism for accounting of taxpayers in the field of e-commerce, the volume of their goods, and the turnover of funds in e-commerce has not been developed.

The Tax Code defines the concept of taxpayer, and according to it, legal entities and individuals who are obliged to pay taxes and fees are recognized as taxpayers. The tax payer in electronic commerce is the seller, legal entities and individuals, and the definition of the seller is defined in the Decree of the Cabinet of Ministers of the Republic of Uzbekistan of June 2, 2016 "On measures to further improve the procedure for the implementation of transactions in electronic commerce" 185- defined in the number decision. In accordance with the rules for the implementation of electronic commerce approved by this Decision, the seller is defined as a subject of business activity that sells goods (works, services) using information systems.

The only electronic bank that contains information about local subjects of electronic commerce introduced by the decision of the President of the Republic of Uzbekistan dated May 14, 2018 "On measures for the rapid development of electronic commerce" No. PQ-3724 – It is the national register of electronic commerce subjects. In accordance with paragraph 8 of this Resolution, it is mandatory to maintain the National Register of e-commerce entities whose revenues from the sale of goods (services) through e-commerce make up at least 80% of the total volume. Participants included in the national register are considered to be single tax payers at the rate of 2% instead of 4%. Later, this norm was replaced by another one in the Tax Code, according to which taxpayers conducting electronic trade in goods (works, services) pay income tax at the rate of 7.5% instead of the usual 15% (Article 337) and a single tax payment of 4% instead, they pay at 2 percent rate (Article 467). With this, the state tries to create convenience for business entities engaged in e-commerce, to collect accurate and reliable information about e-commerce entities.

The Ministry of Digital Technologies is responsible for maintaining the National Register of E-tijorat.uz. At the moment, 466 enterprises are registered in it, which is an insignificant part of those engaged in e-commerce in real life. Thus, the state tries to regulate relations, lowers rates, but does not offer a legal mechanism to regulate these processes. Currently, there are the following main forms of electronic commerce:

- a. Business to Business (B2B).
- b. Business to customer (B2C)
- c. Customer to Customer (C2C)
- d. Business administration (B2A) and customer administration (C2A).

The B2B (business-to-business) category includes large and small wholesale e-commerce between legal entities-enterprises and organizations of various forms of ownership. This model is designed for conducting business between enterprises. It is typical for large, medium and small enterprises, where two or more enterprises carry out commercial or business communication over the Internet. This model is used in business-to-business e-commerce, wholesale e-commerce and e-exchanges. As a rule, the seller and the customer know each other well, and therefore transactions are carried out in large quantities. It is easier to identify these business entities than B2C, the reason being that both parties are automatically registered with the tax authorities when they are registered

as business entities, their money flows are transferred on the basis of bank accounts, and it is difficult for the tax authorities to find them. does not give birth.

B2C refers to the strategies a company uses to sell its products or services to individuals. B2C companies focus not only on benefits, but also on the emotional involvement of the customer. Identification of e-commerce subjects of this form is very complicated and problematic, it is difficult to identify the customer, because they pay by personal bank cards. In addition, in many cases, when buying goods (services, work), the seller does not issue a fiscal receipt, thereby trying to hide his income.

When discussing the issue of subjects engaged in e-business, one should not ignore the fact of extraterritoriality of the Internet, as a result of which a business subject can operate and earn income not only in the country where he lives. Also, it is impossible not to take into account the possibility of companies and entrepreneurs opening websites in the address zones of foreign countries and concluding deals with the participation of business entities of several countries. Thus, not only the problem of determining the basis of taxation of activities via the Internet, but also the need to regulate the right of the state to participate in the taxation process of the electronic business entity arises.

The principle of determining tax jurisdiction in electronic commerce is based on the principle of the location of the taxpayer and the place of provision of services or sale of goods. In e-commerce, this can be very difficult to determine because sellers and customers may be located in different countries and transactions may pass through different countries. The following principles are used to determine tax jurisdiction in e-commerce:

- a. The place of registration of the business entity – if the business entity is registered in a certain country, then it must fulfill its tax obligations in this country.
- b. Location of the goods If the goods are located in a certain country, the seller must fulfill tax obligations in this country.
- c. Location of the customer If the customer is located in a certain country, then the seller must fulfill tax obligations in that country.
- d. Place of provision of services If the services are provided in a particular country, the seller must fulfill tax obligations in that country.
- e. The place of transaction, if the transaction takes place through a certain country, then the seller must fulfill tax obligations in this country.

According to L.V. Frolova, the advantage of taxation using the permanent establishment approach is the simplification of tax administration. If the income is taxable only in the country of the subject's residence, there is no need to determine the source of economic activity. This fact greatly simplifies the calculation of tax liabilities for e-commerce firms whose income cannot be determined based on a specific geographic location. Thus, the risk of double taxation is greatly minimized, reducing the grounds for conflicting situations regarding the source of income on the Internet.

According to Article 279 of the Tax Code of the Republic of Uzbekistan, if a foreign legal entity provides electronic services specified in Article 282 of this Code to

individuals, the place of realization of which is recognized as the Republic of Uzbekistan, and if this legal entity itself makes settlements with individuals who are recipients of services without intermediaries, an application for registration (de-registration) of a foreign legal entity in the tax authority and a list by the Tax Committee based on other approved documents. Registration (de-registration) of a foreign legal entity, which is an intermediary recognized as a tax agent in such services, in the tax authority is carried out in the same manner.

The concept of a self-employed person was introduced as a type of entrepreneurship by the Decree of the President of the Republic of Uzbekistan No. 4742 dated August 6, 2020, and the types of activities that they can engage in are indicated in the appendix. However, this application does not include the activity type "Electronic sale of goods", only retail sale of goods in markets is provided. In practice, self-employed persons are conducting their business activities by providing information about their goods through social networks - Telegram, Instagram, Facebook. The mechanism for accounting for their volume and turnover of goods has not been created, however, according to the Law "On Amendments and Additions to Certain Legislative Documents of the Republic of Uzbekistan in connection with the adoption of the main directions of tax and budget policy for 2024", the second part of Article 369 of the Tax Code has been changed, and now self-employed persons will start paying taxes like an individual entrepreneur if their annual income exceeds 100 million soums. With the amendment of the Code, insufficient control and accounting of taxpayers in practice creates obstacles to the correct application of this article.

In conclusion, the identification and control of e-commerce entities is complicated and related to many factors, and in many cases it can be observed that e-commerce entities try to hide their profits and the fact that they are engaged in e-commerce. Therefore, in the initial period of e-commerce activities, these entities should be given tax relief, a simplified mechanism for taxation, identification and taxation of e-commerce entities should be based not only on the legislation of one country, but also on foreign countries, international organizations, international agreements, and internationally recognized principles.

In Uzbekistan, e-commerce is in the process of development, and in order to fully cover and regulate these relations, there is a need to improve the current legislation and develop specific mechanisms.

CONCLUSION

The identification of taxpayers in the e-commerce sector presents significant challenges due to the digital nature of transactions and the global scope of business operations. Current tax frameworks, which are largely based on physical presence, struggle to address the complexities introduced by online commerce. As a result, tax authorities face difficulties in enforcing compliance, leading to revenue losses and increased tax avoidance. This study has demonstrated the need for more robust and

adaptable systems for taxpayer identification, particularly through enhanced international cooperation, clearer regulations, and the integration of digital tools for monitoring and enforcement. By addressing these challenges, governments can ensure a more equitable and efficient taxation system that reflects the realities of the modern digital economy.

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