
IMPROVING THE MECHANISM FOR COLLECTING CUSTOMS ARREARS BASED ON INTERNATIONAL STANDARDS

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Abstract

The full and timely collection of customs payments is one of the key factors in ensuring the stability of the state budget. The growth of foreign trade volumes, the digitalization of customs procedures, and the development of post-clearance control necessitate further improvement of mechanisms for identifying and recovering customs-related debts. In this context, along with safeguarding the fiscal interests of the state, particular importance should be attached to protecting the legitimate rights of business entities and reducing debt collection costs.

The international legal standards governing customs debt management are primarily embodied in the World Customs Organization's Revised Kyoto Convention. Uzbekistan acceded to the Convention on 16 February 2021, and it entered into force for the country on 16 May 2021 [1]. Chapter 4 of the General Annex to the Convention establishes general standards for the assessment, collection, deferred payment, and repayment of duties and taxes. In particular, Standard 4.10 requires national legislation to clearly specify the period within which legal action may be taken in respect of uncollected duties and taxes, while Standard 4.11 requires the rate and conditions for charging interest on overdue amounts to be clearly defined by law. According to Standard 4.16, interest should, wherever possible, not be charged on deferred payments, while Standard 4.17 provides that the period allowed for deferred payment should be not less than 14 days [2].

In accordance with these international principles, the current Customs Code of the Republic of Uzbekistan regulates, in a separate chapter, the emergence of customs payment arrears, the issuance of payment demands, the calculation of penalties, payment by instalments, and compulsory recovery mechanisms. Pursuant to Article 347 of the Code, customs payments and statutory interest not paid within the prescribed time limits constitute

customs payment arrears; however, no arrears are deemed to arise where the amount does not exceed 20 percent of the basic calculation amount. Article 348 provides that a payment demand must be sent no later than ten working days from the date on which the arrears are identified, using a method that makes it possible to confirm its receipt by the payer [3].

Table 1 Comparative Overview of the Standards of the Revised Kyoto Convention and the Practice of Uzbekistan

Standard	International Requirement	National Legal Mechanism
4.10	The time limit for applying recovery measures shall be established by law.	Articles 347–351 of the Customs Code establish the stages of customs debt, issuance of a payment demand, and compulsory recovery.
4.11	The interest rate and applicable conditions for deferred payments must be clearly defined.	Under Article 349 of the Customs Code, a penalty is calculated for each calendar day at the rate of 1/300 of the Central Bank's refinancing rate.
4.16–4.17	Wherever possible, deferred payment should be granted interest-free for a period of at least 14 days.	National legislation provides for deferred or instalment payments, including the possibility of paying certain customs debts in equal instalments over a six-month period.

Source: Compiled by the author based on data from the World Customs Organization and the Customs Code of the Republic of Uzbekistan [2; 3].

Article 349 of the Customs Code stipulates that a penalty shall accrue for each calendar day during which the customs debt remains unpaid beyond the prescribed deadline. The penalty rate is set at one three-hundredth of the refinancing rate of the Central Bank in force, while the total amount of the penalty may not exceed the principal amount of the debt. Article 350 provides that, in certain cases, a payer is entitled to settle the debt in equal instalments over a period of six months, whereas Article 351 establishes a mechanism for the uncontested recovery of debt through collection orders



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against funds held in bank accounts [3]. Although these provisions form the basic legal architecture of the recovery process, their practical effectiveness largely depends on the extent to which they are integrated with information systems.

The analysis of the research materials reveals four major practical problems. First, the continued use of manual operations by customs officers in calculating penalties for certain types of debt increases processing time and creates risks of errors associated with the human factor. Second, the absence of automatic inclusion of the calculated penalty in the recovery process may require separate administrative procedures for the principal debt and the penalty amount. Third, when information on outstanding debt is displayed only in a general form during electronic declaration, customs officers are required to access an additional module and separately verify the type of debt. Fourth, the traditional delivery of payment demands may prolong the recovery process in cases where the payer has changed its address. These shortcomings demonstrate the need to organize customs debt management not merely as a legal recovery procedure, but as an integrated digital system of preventive control.

The World Customs Organization's Revenue Package includes a dedicated instrument on debt management by customs administrations, aimed primarily at strengthening their capacity to identify and collect legally due revenue [4]. This approach requires the integration of debt prevention, risk-based segmentation of debtors, monitoring of the age and composition of outstanding debt, encouragement of voluntary payment, and, where necessary, the gradual application of compulsory recovery measures within a single management cycle. In the practice of Uzbekistan, it would therefore be appropriate to digitalize this concept through an integrated sequence comprising: "debt identification – notification – voluntary payment – automatic penalty calculation – collection order – recovery through property or judicial procedures – monitoring."

Table 2 Priority Areas for Improving the Customs Debt Recovery Mechanism

Area	Proposal	Expected Outcome
Penalty Calculation	Introduce an automated daily penalty calculation algorithm in the “Customs Payments” information system, using the current interest rate of the Central Bank as the reference rate.	Improved accuracy, speed, and consistency of calculations.
Recovery	Integrate the principal debt and accrued penalties into a single electronic recovery process and automate the monitoring of collection orders.	Recovery time and administrative costs will be reduced.
Digital Notification	Automatically send the payment demand to the payer’s personal account and provide notifications via e-mail and SMS.	The reliability of payment demand delivery and the rate of voluntary payment will increase.
Risk Profiling	A structured indicator in the customs declaration showing the type, maturity, and amount of debt; use only legally obtained data on related persons for risk assessment purposes.	Prevention of new debts and the targeting of customs control will be strengthened.

Source: Developed by the author based on research materials and international standards.

Based on the comparative analysis presented above, it is advisable to implement the following measures to improve the legal and organizational mechanism for the recovery of customs payment arrears.

First, the penalty calculation algorithm should be fully automated, with an electronic audit trail generated for the calculation base, applicable rate, number of days, and final amount. Rather than being tied to a fixed interest rate, the system should automatically retrieve the refinancing rate of the Central Bank applicable to the relevant period, in accordance with Article 349 of the Customs Code. Such an approach would reduce the need for manual reconfiguration of software when legal or regulatory changes occur.



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Second, in the compulsory recovery of customs debt, the information linkage between the principal amount and accrued penalties should be strengthened, and a mechanism should be introduced whereby the system automatically verifies all components of the debt before a collection order is generated. The current Customs Code links the payment and recovery of penalties to the general procedure for the recovery of customs debt; therefore, the key task is to ensure full alignment between the legal mechanism and its digital implementation.

Third, the provision of Article 348 allowing a payment demand to be sent by “any method that makes it possible to confirm its receipt” provides a sufficient legal basis for expanding the electronic notification system. Accordingly, once a debt is identified, an electronic payment demand should be automatically displayed in the taxpayer’s personal account, while additional notifications should be sent to the taxpayer’s e-mail address and mobile phone number. The date of electronic delivery should be recorded in the system, and the ten-working-day compliance period should be calculated automatically. Resolution No. 700 of the Cabinet of Ministers dated 6 November 2025 also establishes the form of a payment demand related to customs audit and sets a ten-working-day period for its execution [5].

Fourth, the declaration system should not be limited to displaying a general warning about outstanding customs debt. Instead, it should present structured indicators showing the type of debt, the date on which it arose, its maturity, the principal amount, and accrued penalties. Such a “debt profile” would enable customs officers to assess the relevant risk without accessing an additional module. Information concerning other entities associated with the manager or founder of a debtor company should not be used as an automatic restriction, but only as a legally justified risk indicator. This approach would, on the one hand, safeguard the fiscal interests of the state and, on the other, prevent unjustified restrictions on bona fide business activities.

In conclusion, the basic legal mechanism for the recovery of customs payment arrears in Uzbekistan has largely been aligned with international standards: the conditions giving rise to customs debt, the minimum threshold, payment demands, penalties, instalment payments, collection orders, and judicial recovery procedures are regulated by law. The key

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priority at the next stage is to integrate these legal provisions into a unified digital management cycle. The introduction of automated penalty calculation, integrated electronic management of principal debt and penalties, electronic delivery of payment demands through personal accounts, and a risk-based “debt profile” would help shorten recovery periods, reduce the influence of the human factor, and ensure the timely receipt of customs revenues into the state budget.

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