

THE ROLE OF CUSTOMS SERVICE IN ECONOMIC DEVELOPMENT

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Abstract: In this article we address some of the most important issues related to custom: its functioning, its impact on budget revenues in Kosovo, the method of revenue collection, revenue classification, participation of customs revenues in total revenues and other aspects of fiscal character. Also, other customs functions as instruments of accomplishing other political and economic policies are mentioned in this paper. Special attention is given to regulation and its harmonization with EU directives and other customs standards in the region and beyond. CEFTA agreement is especially mentioned, its impact and role in elimination of non-tariff barriers and market liberalization of signatory countries of this agreement as a step forward for connection in regional and EU integration processes.

Keywords: Public revenues, excise, customs tax, VAT.

Introduction

Public revenues are all those financial funds with which the state/government meets the needs of the public and performs its functions. As such they represent all income or funds that are channelled into a state budget. Economic performance and country development depends largely on public revenues. They are a collection of various taxes, fees, contributions and any other financial income. Public revenues and public expenditures together constitute a state budget. In cases when public revenues are higher than public spending, then we are dealing with a budget surplus, while in cases when public revenues are less than public spending, then we are dealing with a budget deficit. For accomplishing state requirements in the implementation of constitution and performing its functions, to cover the expenses that arise during carrying out of these tasks in its competence. Certain revenues are needed that are implemented by the state and are called public revenues. In short we can say that state revenues are revenues (monetary funds) in cash money, annual and serve for financing (completion) of public expenditure (public requirements) and are part of newly created value. Most important forms of revenue/income are: taxes, contributions, customs, fees, state loans, grants, money emission etc. Customs revenues are notable by the importance, role and participation in public revenue in our country as a dominant form of public revenues along with other revenues collected at the border crossings, which currently participate with 65% in Kosovo's Budget. This trend of customs revenue has decreased over the years because customs revenue participation since 2000 was higher and that was over 70% of the total budget revenue.

Revenues from Customs as a Form of Public Revenues.

It is still not very clear exactly where and when the concept of customs has begun for the first time. Adam Smith in his famous work "The Wealth of Nations" says that Customs as common payment obligations existed since ancient times. It is believed that customs existed in the kingdom of the ancient Egypt, around 2700-2200 BC. Evidence is found that tell that " caravan management" a title for one of official administration posts of that time, that was responsible for registration of goods entering and exiting Egypt, would also collect customs duties along with statistics, thus having similar functions to those of a general directorate of customs today. Many books refer to trade and customs of ancient Egypt. Customs are state cash revenue that is paid on

the occasion of certain goods crossing through customs border. The nature and role of customs duties has not been the same in all periods of historical development. Starting from the XV century when their role began to take importance to follow until present day and until XVIII century the role of customs duties focused on the regulation of the country's trade balance, in order to ensure the introduction of gold. in the country at that time regarded as the only real/wealth. This was due to the prevalence at the time of mercantilist theories and policies on the economy. Customs revenues are a special type of indirect taxes which are paid to the case and at the time of the passage of goods through the customs border. Although customs duties are actually paid by people who bring or take out the goods from the customs territory (importers or exporters) given that the latter are included in paying customs duties as a cost in commodity prices, in the final analysis it is the Customers who bought imported goods that are paying the customs duties paid on those goods. This is precisely the reason why customs duties are classified in the category of indirect taxes. The nature and role of customs duties has not been the same in all periods of historical development. Customs revenues are the oldest taxes/fees that are collected historically. They began, as historical facts show, since the time of slave order, but they took the proper development and weight in the second phase of development of feudalism and especially the in first phase of capitalist relations development. Throughout whole this time have dominated customs duties aimed at protecting domestic production and therefore it may be called the period of protectionism in customs. In the nineteenth century, Adam Smith's ideas regarding free trade began to settle down more and more, changing the purpose for which customs duties continued to be collected. They began to be considered not as a barrier to the introduction of foreign goods in the domestic market but as a means to raise revenue for public finances, thus profiling fiscal role of customs duties. Customs revenues and quantitative restrictions on the import or export constitute what is often called trade policy instruments. Customs represent one of the fundamental instruments for the protection of national economies from foreign competition. The role of customs in tax systems and the overall economic system of a country is of great importance. In Kosovo, customs play a role of great importance in an economic aspect, but also for defence and health reasons. Like we said above, the greatest part of the budget consists of customs revenues, and based on the available data similar to previous years this year also Kosovo Customs continued with positive trend of growth in revenues, a trend following customs throughout years.

Conclusion

While Kosovo is moving towards the European integration process, and in the near future will be part of the European family and has already signed the Stabilization and Association Agreement in 20158, the revenues from customs duties for goods and products coming from the European Union will gradually begin to decrease and later will be almost completely eliminated. Collection of over 65 per cent of revenues to state crate (state budget) by Kosovo Customs has put the country's budget in an unfavorable situation, the fact is that this way is not stable for a country especially when taking into account the increased level of integration into European mechanisms. International agreements reached between Kosovo and several other states, as in the case of CEFTA in some cases restrict the capacity of budget revenues because certain categories of goods are removed from the obligation to pay customs. Kosovo Government concluded agreements with some countries to reduce customs duties, which are expected to be achieved at the beginning of this year, and will result in Kosovo having even lower customs revenues compared to previous years. The agreement with Turkey alone, which had already been concluded will have an impact of 17 million euro less in revenues, since it will provide an agreement where the customs tax/fee will fall from 10 % to 0%. Also, the reduction of customs

tariffs for capital and reproductive material from 10 % to 2 %. It would be preferable also to reduce VAT rates on imports of capital equipment and especially for investors meaning to apply incentive fees for investors as with the increased level of integration the importance of borders will be reduced and consequently puts to risk the main source of revenue such as customs. In the meantime, revenues will be needed in the budget to fund the spending costs and I think real opportunity to compensate this reduction in customs revenues is only by setting excise as a special tax/fee since excise is rarely or almost never included in any agreement. Different excise and fees can be assigned to some categories of goods that will compensate what is lost from agreements.

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