



## Tax Alert

# VAT rules for non-resident Electronic Service Suppliers

In January 2020 the new Tax Code has been introduced, which will implement new rules in the area of VAT taxation, affecting foreign legal entities, providing electronic services in Uzbekistan (then referred to as non-resident e-service suppliers). In particular, the Law requires non-resident e-service suppliers to register for tax purposes in the Republic of Uzbekistan and start paying VAT on electronic services rendered to Uzbekistan individuals.

### Electronic Services and tax payers

Historically no Uzbek VAT was applied to the digital services rendered by the non-resident electronic service providers. Based on the new Tax Code, for Uzbekistan

VAT to apply e-services shall be regarded as supplied in Uzbekistan.

Thus, if digital services are rendered by non-resident service providers to Uzbek customers, Uzbek VAT shall be payable in the following way:

- if such services are rendered to Uzbekistan legal entities or Permanent Establishments (PEs) registered in Uzbekistan, VAT shall be paid to the budget by an Uzbekistan customer (such legal entity or PE) under reverse charge mechanism;
- if such services are rendered by non-resident service providers to Uzbekistan individuals directly or through a foreign agent, VAT shall be paid to the budget by such non-resident service provider or by a foreign agent. In this case non-resident entities

will be liable to register for VAT purposes in Uzbekistan.

According to the new Tax Code the following services among others should be recognized as electronically supplied services:

- Granting rights to use computer software (including games transmitted via the Internet) and databases via the internet;
- Providing rights to use electronic books and other electronic publications, musical compositions, visual files including the access to watch and listen via the Internet;
- Providing advertising space in the internet and online advertisement services;
- Website support services including maintaining presence on the Internet for personal purposes or for economic activities, supporting electronic resources of the users (websites and (or) webpages), maintaining access for other web users, giving them the right for modification;
- Data storage and processing, provided that web users can access data via the Internet;
- Online hosting and domain services;
- Online statistical data processing;
- Delivery of the potential buyers' information obtained through internet search nature of the individuals in Uzbekistan.

Following services are not recognized as Electronic services:

- Purchasing of goods (services) via internet, if the delivery of the purchased product(or services) does not involve using internet;
- Implementation (transfer of rights to use) of programs for electronic computers (including computer games) and databases on hard storages;
- E-mail consultation;
- Services reading to the providing access to the Internet.

### Registration for VAT

Non-resident entities providing electronic services to Uzbekistan individuals are required to register for VAT purposes with Uzbekistan tax authorities. Non-resident electronic service providers should submit an

application for registration and other required documents, approved by the State Tax Committee of the Republic of Uzbekistan within 30 calendar days from the date the non-resident started providing such services.

### Place of supply for services rendered to individuals

Republic of Uzbekistan should be recognized as a place of supply for VAT purposes if at least one of the below conditions is met:

- Individuals purchasing electronically supplied services are domiciled in Uzbekistan;
- Payment for such services is carried through an Uzbekistan registered bank;
- IP address of the individual purchaser is registered in Uzbekistan;
- Individual purchaser provides Uzbekistan telephone number for identification purposes when buying or paying for services.

### Taxable object and tax base

Turnover derived from the sales of the electronic services to individuals should be considered as taxable object for VAT purposes. The tax base for each quarter should be determined based on the actual sale price and payments received from Uzbekistan individual. Where service fees are quoted in foreign currency, the tax base should be calculated in Uzbek Soums based on the exchange rate established by the Central Bank of the Republic of Uzbekistan on the last day of the month in which payment (or partial payment) for such services was received.

Non-resident service providers are self-responsible for assessing and paying VAT, except for the cases when Uzbekistan legal entities are recognized as tax agents for VAT purposes.

### Tax Rate

Standard VAT rate 15% will applied to these Electronic Service Suppliers.

## Reporting and Payment

VAT returns should be submitted on a quarterly basis in electronic form through a personal account of the taxpayer on the official website of tax authorities no later than 20<sup>th</sup> of the month following the reporting quarter. In case, a non-resident cannot access the online personal account, tax returns can be submitted via telecommunication channels.

VAT payment should be made no later than 20<sup>th</sup> of the month following the reporting period.

## Contact us:

If you have any questions on the information in this tax alert, or on any other issues regarding doing business in Uzbekistan, please contact any of the experts listed below.

### Tashkent

Deloitte & Touche Audit organisation LLC  
Mustakillik Avenue 75, Tashkent, 100000  
Republic of Uzbekistan

Tel: +998 (78) 120 44 45/46

Fax: +998 (78) 120 44 47

### Aidana Abdaliyeva

Director, Tax & Legal

Tel: +7 (727) 258 13 40

[aabdaliyeva@deloitte.kz](mailto:aabdaliyeva@deloitte.kz)

### Bakhtiyor Sufiev

Manager, Tax & Legal

Tel: +998 (78) 120 44 45/46

[bsufiev@deloitte.uz](mailto:bsufiev@deloitte.uz)



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.