



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 non-resident electronic service suppliers in Uzbekistan. 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, VAT shall be paid to the budget by a non-resident service provider. 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;
- Storing and processing information (which is accessed via the internet), granting rights to such online resources;
- 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 month should be determined based on the actual sale price and payments received from Uzbekistan individual, i.e. VAT will be accounted for on a cash basis. 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 monthly basis in electronic form through a personal account of the taxpayer on the official website of tax authorities no later than 15th of the month following the reporting period. In case, a non-resident cannot access the online personal account, tax returns can be submitted via other telecommunication channels.

VAT payment should be made no later than 15th 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.

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