**Value Added Tax**

**The following shall be defined as VAT payers in the Republic of Uzbekistan *(Article 237 of the Tax Code of Uzbekistan):***

1) Legal entities of the Republic of Uzbekistan;

2) Individual entrepreneurs;

3) Foreign legal entities selling goods (services) on the territory of the Republic of Uzbekistan if the Republic of Uzbekistan is recognized as the place of sale of such goods (services);

4) Legal entities – non-residents of the Republic of Uzbekistan, carrying out activities in Uzbekistan through permanent establishments;

5) Persons moving goods across the customs border of the Republic of Uzbekistan

**Performance of obligations by tax agents**

The tax liability for VAT shall be performed by tax agents in the following cases:

1) Sale of goods (services) by foreign legal entities that are not registered with the Uzbek tax authorities as taxpayers;

2) Provision of electronic services, the recipients of which are legal entities or permanent establishments of a legal entity – non-resident of the Republic of Uzbekistan;

3) Lease of state property.

**The following shall be defined as the subject of taxation *(Article 238 of the Tax Code of Uzbekistan):***

1) Turnover on sale of goods (services), the place of sale of which is the Republic of Uzbekistan;

2) Import of goods on the territory of the Republic of Uzbekistan.

**Tax base *(Article 247 of the Tax Code of Uzbekistan):***

shall be defined as the cost of goods (services) being sold based on the price (tariff) applied by the parties to the transaction without including VAT thereto.

**Benefits**

The sales turnover for the following shall be exempted from taxation:

1) Social services (childcare in preschool educational institutions, care for the sick and the elderly, pensions and allowances, education, health services);

2) Bank and weighted ingots made of precious metals, ingots (investment) coins made of precious metals (except for coins used for numismatic purposes and foreign coins made of precious metals), jewellery;

3) Financial services;

4) Life insurance and other insurance services.

If the price for financial services is set in absolute amount or linked to the basic settlement indicator, such services shall be subject to VAT.

**The tax rate** ***(Article 258 of the Tax Code of Uzbekistan)*** for VAT shall be 15 percent.

**Reporting period** shall be a quarter.

The following shall be defined as **reporting period**:

Month – for taxpayers with turnover on sale of goods (services) exceeding one billion UZS at the end of the previous quarter;

Quarter – for other taxpayers.

**Procedure for submission of reporting and payment of VAT**

Tax reporting and VAT shall be paid no later than the twentieth of the month following the reporting period.

**VAT refund**

The taxpayer shall also be entitled to a refund of the tax amount to be refunded on the basis of an application for refund of the tax amount submitted to the tax authorities.

VAT refund shall be made within sixty days from the date of submission of an application for the refund of the amount of VAT.

An accelerated procedure of VAT refund is envisaged, under which the taxpayer receives the refund within seven days.

The accelerated procedure for VAT refund shall be available for use by following entities:

1) Largest taxpayers;

2) Taxpayers who have submitted a bank guarantee or concluded a collateral agreement with the tax authorities;

3) Exporters;

4) Foreign diplomatic missions and similar ones;

5) Parties to production sharing agreement, if such agreement provides for the application of zero rate;

6) Participants of tax monitoring.

**Application of zero rate in certain cases (Article 264 of the Tax Code of Uzbekistan)**

The zero rate in accordance with this Article shall apply to goods (services) acquired (imported) by:

Foreign diplomatic missions and missions equivalent to them for official use as well as for personal use of diplomatic and administrative and technical personnel of these missions (including their family members living with them);

Taxpayers purchasing goods (services) in the framework of activities under the Production Sharing Agreement, if the Agreement provides for the application of a zero rate.

The application of a zero rate in accordance with Part One of this Article shall be carried out in cases where the legislation of the foreign state concerned has established a similar procedure in respect of the diplomatic and equivalent missions of Uzbekistan, the diplomatic and administrative and technical personnel of these missions (including members of their families living with them) or if such a norm is stipulated in an international treaty of Uzbekistan.

The application of the zero rate in accordance with Part One of this Article shall be made by way of reimbursement (refund) of the tax paid by the persons indicated in Part One of this Article when they purchase (import) goods (services).

The turnover on sale of services provided to the population on water supply, sewerage, sanitary purification and heating supply, including those purchased by private homeowners' associations on behalf of the population, as well as those purchased by subdivisions of the Ministry of Defense and the National Guard for the population living in the buildings of the departmental housing stock shall be subject to a zero rate tax.

## Specifics of taxation of foreign legal entities providing services in electronic form:

## Taxpayers *(Article 278 of the Tax Code of Uzbekistan)*

Foreign legal entities that provide services in electronic form, the place of sale of which is the Republic of Uzbekistan, shall be defined as taxpayers in respect of such services provided to individuals. If such services are provided to legal entities of the Republic of Uzbekistan and permanent establishments of foreign legal entities the indicated persons – buyers of such services shall be defined as tax agents.

If foreign legal entities render services to individuals in electronic form and the place of their sale is the Republic of Uzbekistan, foreign legal entities – intermediaries directly involved in settlements with individuals on the basis of assignment, commission, agency or other similar agreements with foreign legal entities rendering such services shall be defined as tax agents in respect of operations on sale of such services.

If such services are provided with participation in the settlement of a consecutive chain of several legal entities – intermediaries, a foreign legal entity – intermediary, participating in the settlement directly with individuals regardless of the existence of an agreement with a foreign legal entity providing such services shall be defined as a tax agent.

## Procedure for registration and deregistration of foreign legal entities providing services in electronic form (Article 279 of the Tax Code of Uzbekistan)

If a foreign legal entity provides services to individuals in electronic form, the place of sale of which is recognized to be the Republic of Uzbekistan, and if this legal entity itself without intermediaries makes settlements with individuals – recipients of services, registration (deregistration) with the tax authority of such foreign legal entity shall be made on the basis of an application for registration (deregistration) and other documents as per the list approved by the State Tax Committee of the Republic of Uzbekistan. Registration (deregistration) with the tax authority of a foreign legal entity – intermediary in such services defined as tax agent shall be carried out in a similar order.

The application for registration (deregistration) shall be submitted by foreign legal entities to the tax authority no later than thirty calendar days from the date of the beginning (termination) of provision of services in electronic form.

## The subject of taxation and the tax base. Procedure for calculation of tax by foreign legal entities (Article 280 of the Tax Code of Uzbekistan)

The subject of taxation shall be defined as the turnover on sale of services in electronic form, provided to individuals.

When foreign legal entities provide services to individuals in electronic form, as determined by Article 294 of this Code, and the place of sale of which is the Republic of Uzbekistan, the tax base shall be determined as the cost of these services, taking into account the amount of tax calculated on the basis of actual sale prices of these services.

Hereby, the tax base for each month shall be determined on the basis of the time of receipt of payment (partial payment) for the services provided.

When determining the tax base in accordance with this Article, the cost of services rendered in electronic form, expressed in foreign currency, shall be recalculated in the national currency of the Republic of Uzbekistan at the exchange rate of the Central Bank of the Republic of Uzbekistan, established on the last day of the month, in which the payment (partial payment) of the said services was received.

Foreign legal entities shall calculate the tax on their own if the tax agent is not obliged with this Article to calculate the tax in respect of operations on sale of such services.

## Procedure for submission of tax reporting and payment of tax by foreign legal entities when providing services in electronic form (Article 281 of the Tax Code of Uzbekistan)

Foreign legal entities providing services in electronic form shall submit tax reporting to the tax authority in the established format in electronic form through taxpayer’s personal online-account.

In the period when the taxpayer’s personal online account cannot be used by foreign legal entities to submit documents (information) and data to the tax authority, such documents (information) and data shall be submitted through telecommunication channels.

Tax reporting, documents (information) and other data shall be submitted no later than the fifteenth day of the month following the expired month.

Payment of tax by these foreign legal entities shall be made no later than the deadline for submission of tax reporting.

## Services in electronic form (Article 282 of the Tax Code of Uzbekistan)

For the purpose of applying this section, services in electronic form shall include services provided through access to the Internet World Wide Web (hereinafter – the Internet) automatically using information technology. In particular, such services shall include:

1) Granting rights to use software (including games delivered via the Internet) and databases, their updates and additional functionalities via the Internet, including by providing remote access to them;

2) Granting rights to use electronic books (editions) and other electronic publications, information, educational materials, graphic images, musical works with or without text, audiovisual works via the Internet, including by providing remote access to them for viewing or listening via the Internet;

3) Provision of advertising services on the Internet, including by using software for computers and databases operating on the Internet, as well as provision of advertising platform (space) and time for advertising on the Internet;

4) Provision of services for placement of offers on purchase (sale) of goods (services) and property rights on the Internet;

5) Provision of services through the Internet to provide technical, organizational, information and other opportunities using information technologies and systems to establish contacts and conclude transactions between sellers and buyers. In particular, such services include provision of a trading platform operating on the Internet in real time, where potential buyers offer their price through an automated procedure and the parties are notified of the sale by an automatically generated message;

6) Provision and/or maintaining a presence on the Internet for personal purposes or for economic activities, supporting the electronic resources of users (websites and/or pages of websites on the Internet), ensuring access to them for other Internet users, enabling users to modify them;

7) Automatic maintenance of software operation remotely and online, provision of services for administration of information systems, websites and/or pages of websites on the Internet;

8) Storage and processing of information provided that the person who submitted this information has access to it via the Internet;

9) Provision of real-time computing power for placement of information in the information system;

10) Provision of domain names, hosting services;

11) Provision of information generated automatically when the buyer enters data via the Internet, provision of automated services for data search, selection and sorting by inquiry, provision of the indicated data to users via information and telecommunication networks. In particular, such supplies of information include real-time stock exchange reports and automated real-time translation of texts;

12) Provision of services to search for and/or provide information on potential buyers to the customer;

13) Provision of access to Internet search engines;

14) Maintenance of statistics on Internet websites.

The following shall not refer to services in electronic form:

1) Sale of goods (services) if, when ordering via the Internet, the delivery of goods (provision of services) is actually carried out without using the Internet;

2) Sale (transfer of rights to use) of software for computers (including computer games) and databases on tangible media;

3) Provision of consulting services by e-mail;

4) Provision of services to provide access to the Internet.

***For more details please refer to Section X of the Tax Code of Uzbekistan.***