

Uzbekistan proposes introduction of VAT on digital services rendered by nonresidents

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On 2 September 2019, the Uzbekistan Government published on its draft legislation portal a draft of the new Uzbek Tax Code for public discussion. According to the text, the Uzbekistan Government is considering the introduction of Value Added Tax (VAT) on digital services rendered by nonresidents to Uzbekistan individuals, anticipated to start from 1 January 2020.

According to the proposed draft, a nonresident legal entity, when providing services to individuals in electronic form via the Internet, will be required to register as a VAT payer and calculate VAT based on the turnover of services rendered if the place of supply of such services is Uzbekistan, unless such a nonresident provides services directly through a registered presence in Uzbekistan. If digital services are provided to Uzbekistan individuals through intermediary nonresidents which directly carry out money transactions with Uzbekistan individuals based on commission, assignment, agency or similar agreements with the supplier, such an intermediary organization would be considered as a tax agent for VAT purposes and would be required to calculate and pay VAT.

Digital services would include:

- Granting rights to use software (including games delivered via the Internet), databases, their updates and additional functionality via the Internet, as well as remote access to them

- ▶ Granting rights to use electronic books and other electronic publications, informational and educational materials, graphic images, musical works with or without text, and audiovisual works via the Internet, as well as providing remote access to view or listen to them through the Internet
- ▶ Provision of advertising services on the Internet, including services rendered with the application of software for computers and databases, as well as provision of advertising space and time for promotion on the Internet
- ▶ Provision of services to place offers for the acquisition (sale) of goods (works, services), or property rights on the Internet
- ▶ Rendering services to provide technical, organizational, informational or other possibilities via the Internet, carried out with the implementation of information technologies and systems, for the purposes of establishing contacts and concluding deals between sellers and purchasers (including provision of a trading platform operating in the Internet in online regime, where potential customers bid their price through automated procedures, and parties are informed about sales by automatically generated messages)
- ▶ Maintenance and (or) support of an Internet presence for personal purposes or for the purpose of conducting economic activities, support of electronic resources of users (websites and/or pages on the Internet), provision of access to other users, or granting options for their modification
- ▶ Automatic maintenance of software remotely and online, services involving administration of information systems, or websites on the Internet
- ▶ Storing and processing information, provided that the entity which submitted the information has access to it through the Internet
- ▶ Provision of real-time computing power for placing information in the information system
- ▶ Provision of domain names and hosting services
- ▶ Delivery of information generated automatically by the customer when the data is entered via the Internet, provision of automated services involving data retrieval, its selection and sorting upon request, provision of specific data to users via information and telecommunication networks (in particular, real time stock exchange reports and online automated translations)

- ▶ Rendering of search services and (or) provision of information about potential customers
- ▶ Provision of access to search engines on the Internet
- ▶ Maintaining statistics on websites

Digital services of nonresidents subject to Uzbekistan VAT would not include:

- ▶ Sales of goods (works, services) ordered through the Internet which are delivered without using the Internet
- ▶ Sales (transfer of rights of use) of software for computers (including computer games) and databases, when transfer is carried out to a tangible data storage medium
- ▶ Consulting services by e-mail
- ▶ Provision of Internet access services

The place of supply of services in electronic form would be deemed to be in Uzbekistan if:

- ▶ The “place of living” of the individual buyer is Uzbekistan
- ▶ The location of the bank in which the account used by the individual buyer for payment for services is opened, or the location of the electronic money operator through which the individual buyer makes payment for services, is Uzbekistan
- ▶ The network address of the individual buyer used when purchasing services is registered in Uzbekistan
- ▶ The international country code of the telephone number used to purchase or pay for the services is that assigned to Uzbekistan

Foreign organizations would have to calculate VAT at the general rate of 20% of the taxable base (the value of digital services including VAT) and would have to submit VAT returns and pay VAT to the state budget on a regular basis.

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