

UZBEKISTAN – LOGIC CHANGES

AUTHORITY UPDATE GUIDE

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Introduction

This guide provides an explanation of the most recent changes made to Determination for relevant changes taking effect in the Act on Amendments and Additions to the Tax Code of the Republic of Uzbekistan" (hereinafter as "Tax Code").

From 1 January 2020, VAT will apply to cross-border electronic services supplied by non-resident suppliers to Uzbekistan-resident consumers. The new rules will require non-resident suppliers to register as a VAT payer, calculate tax and file VAT returns on these supplies.

The new rules will apply to a broad range of cross-border electronic services. The Tax Code defines supply of electronic services as the services provided through the Internet, including primarily granting rights to use software and electronic books, provision of advertising services on the Internet, storing and processing information, provision of domains and hosting services, provision of access to search engines on the Internet, and maintaining statistics on websites.

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

1. The place of residence of the individual buyer is Uzbekistan.
2. The location of the bank in which the account used by the individual buyer to pay for these services is opened, or the location of the electronic money operator through which the individual buyer pays for services is located in Uzbekistan.
3. The individual buyer's network address used to purchase services is registered in Uzbekistan.
4. The international country code of the telephone number used to purchase or pay for services is assigned to Uzbekistan.

Therefore, the supply of electronic services by a non-resident, who is not physically present in Uzbekistan, to a final consumer in the referred country will be subject to taxation and the supplier will have to register within the country for VAT purposes.

Below you can find examples of expected results for Uzbekistan for supply of electronic services by a foreign supplier to both individual consumer and business customer located within Uzbekistan.

TAX RESULTS EXAMPLES

Test 1: Foreign B2C Electronic Services – Sale (Seller is registered in Uzbekistan)

WORKBENCH ELEMENTS	VALUES
Role	Seller
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Uzbekistan
Seller Registration	Germany: DE123456789 Uzbekistan: 123456789

The following image shows the details of the sale.

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: GERMANY	Germany	Not Liable	NL	O		0%	0.00		
Country: UZBEKISTAN	Uzbekistan	VAT	S	O		15%	150.00		
150.00 UZS									
Authority Messages:									
Authority	RuleOrder	Message							
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.							
Uzbekistan	10000	GCSCL14: Output VAT in Buyer's country.							

In this case, electronic services supplied by non-resident to Uzbek consumer will be subject to VAT. The non-resident supplier will become a limited registration entity.

Test 2: Foreign B2C Electronic Services – Sale (Seller is not registered in Uzbekistan)

WORKBENCH ELEMENTS	VALUES
Role	Seller
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Uzbekistan
Seller Registration	Germany: DE123456789

The following image shows the details of the sale.

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: GERMANY	Germany	Not Liable	NL	O	0%	0.00			
Country: UZBEKISTAN	Uzbekistan	Not Liable	NL	O	0%	0.00			
0.00 UZS									
<input checked="" type="checkbox"/> Authority Messages:									
Authority	RuleOrder	Message							
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.							
Uzbekistan	5001	GCSCL32: Seller cannot invoice VAT since seller is not registered in Buyer's country.							

In this case, a message saying that the seller shall register in Uzbekistan will be returned.

Test 3: B2B Electronic Services provided by a foreign entity to the Buyer registered in Uzbekistan

WORKBENCH ELEMENTS	VALUES
Role	Buyer
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Uzbekistan
Seller Registration	DE123456789
Buyer Registration	123456789

The following image shows the details of the transaction.

Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: UZBEKISTAN	Uzbekistan	VAT	RC	O		15%	150.00		
Country: UZBEKISTAN	Uzbekistan	VAT	RC	I		15%	150.00		
0.00 UZS									
<input type="checkbox"/> Authority Messages:									
Authority	RuleOrder	Message							
Uzbekistan	10000	GCBCL31: Reverse charge in Buyer's country.							
Uzbekistan	10000	GCBCL32: Recovery of reverse charge in Buyer's country.							

In this case, electronic services supplied by non-resident to Uzbek registered entity will be subject to VAT under reverse-charge mechanism.