
TAXATION OF ELECTRONIC COMMERCE SERVICES IN UZBEKISTAN

Turaev Alijon Akmal o'g'li

Teacher, Department of Investment and Innovation, Samarkand Institute of Economics and Service, Samarkand, Uzbekistan, e-mail: alijon.turayev@mail.ru,

Shokarimov Sherzod Shuxrat o'g'li

Student, Samarkand Institute of Economics and Service.

Annotation: The article discusses the composition of electronic commerce services in Uzbekistan, as well as issues related to their taxation, legal principles, and specific characteristics. It also highlights the importance of this taxation in shaping state budget revenues, and presents challenges based on global experience. Recommendations and suggestions are provided for improving the taxation mechanism of this system in our country.

Key words: electronic commerce, e-commerce entities, internet, taxation of electronic commerce, added value tax, tax system.

Introduction.

Nowadays, there is no consensus at the international level on the taxation of electronic commerce. This issue is being addressed in various countries based on different approaches, resulting in certain difficulties for taxpayers and tax authorities. The ongoing establishment of a legal framework for the taxation of foreign electronic commerce subjects also presents challenges in terms of accurate tax administration and calculation and payment of additional value-added taxes.

E-commerce has many advantages and benefits due to its characteristics, but it also presents a number of challenges and shortcomings, especially in terms of tax evasion affecting state budget revenues. It is possible to emphasize that one of the issues that is being actively discussed is the adaptation of the tax system of states to the current requirements of the information economy.

Overall, governments are expected to address relevant challenges in order to adapt their tax systems to the demands of the current information economy.

In our country, until 2020, the tax calculation and collection system for e-commerce was implemented based on the overall results of tax payments, without taking into account its specific characteristics. This approach has led to significant financial resources being diverted from tax collection and a reduction in the main indicators of the tax base being reduced several times, he current tax legislation does not provide effective tax control methods for identifying electronic commerce entities that evade registration in tax authorities. There was also no possibility to subject the electronic services provided by foreign IT companies to value added tax. The specificity of internet commerce required the adoption of separate regulatory legal acts to regulate this area.

The new edition of the Tax Code, which came into force in Uzbekistan on January 1, 2020, introduces specific provisions for the taxation of entities engaged in electronic commerce activities. The unique characteristics of this sector were taken For example, the procedure for including foreign legal entities engaged in the realization of electronic services into the value-added tax system was defined. The new regulations also address issues such as the recognition of foreign legal.

The latest version of the tax code, which has been adopted today, includes provisions for electronic commerce and outlines the composition of electronic services in Chapter 14. It specifically identifies the involvement of foreign electronic commerce entities. According to current tax legislation, electronic services refer to services provided through the use of information technology, primarily via the World Wide Web, in an automatic manner.

According to the new edition of the Tax Code, foreign legal entities providing services in electronic form submit their tax reports to the tax authority in electronic format through the personal account of the taxpayer, according to the specified form.

In our country, in order to further simplify and create convenience for taxpayers in the provision of tax administration through this channel, electronic services have been added to foreign legal entities as taxpayers of value added tax in an individual manner online. For this purpose, a special service - the Foreign Legal Entities office of the Internet companies has been created at <http://tax.uz> website. On this platform, foreign legal entities can apply for registration as taxpayers of value added tax in the Republic of Uzbekistan, use online personal accounts, submit reports and pay taxes, as well as have the opportunity to receive answers to their questions.

To enter personal account, a foreign legal entity must submit a request in the "Submit Request" section online. For this, the company's name, its address, email address, the country of registration, and information about the services provided must be provided. Transfer from the foreign legal entities registry or confirmation of the legal status of a foreign organization with appropriate documentation is required for a foreign company to enter the personal account, if all necessary information is provided, the company will be activated within 15 days and a notification will be sent via email. The rules for registration do not apply to foreign companies that provide services through permanent establishments in the Republic of Uzbekistan. Such companies are required to register according to the established procedure for legal entities in Uzbekistan as taxpayers.

As mentioned above, it has been established the procedure for payment of the established value added tax for foreign companies providing electronic services in accordance with tax legislation in our country and creating favorable tax administration for taxpayers as a result of measures taken in this direction. As a result, it is possible to identify certain positive outcomes in terms of including foreign legal entities providing electronic services in Uzbekistan in the taxation process.

According to the State Tax Committee of Uzbekistan, 28 foreign companies providing electronic services have been registered as taxpayers in the country in the last 2 years. These include Booking.com B.V, Netflix International B.V, Apple, Facebook, Yandex, Huawei, and others. As of September 2021, Facebook paid 7.6 billion UZS in taxes, Google Commerce Limited paid 4.6 billion UZS, Apple paid 2.2 billion UZS, Netflix paid 331 million UZS, and Yandex paid 256 million UZS.

Resident corporations pay CIT on their worldwide income, whereas non-residents (i.e. foreign legal entities that have a PE in Uzbekistan or have income from sources in Uzbekistan not associated with a PE) pay CIT on income resulting from activities/sources in Uzbekistan.

Non-resident corporations are taxed directly at the level of their Uzbek PE, if there is one, or via withholding tax (WHT) at the source of payment of the Uzbek-source income.

CIT is charged on taxable profit calculated as a difference between gross income and deductible expenses reduced by applicable incentives granted by the Tax Code, other laws, or presidential decrees.

The CIT rate is set in the Tax Code (previously, annually by presidential decree). Enterprises (i.e. legal entities) are generally subject to CIT at the rate of 15%. Commercial banks, producers of cement (clinker) and polyethylene granules, mobile services providers, and markets/shopping malls are subject to CIT at the rate of 20%.

Among the amendments introduced to the Tax Code on 1 January 2023 is the abolishment of the requirement to have at least 15% of the aggregate revenue generated from export of goods and services for applying 0% CIT on profits from export of goods/services. It is worth noting that, as of 1 January 2023, 0% CIT will not be applied to export profits received from the provision of services to non-residents of Uzbekistan operating in Uzbekistan via PE.

The rate of CIT applicable to the following categories of the taxpayers may be reduced by 50%:

Payers of turnover tax switching to CIT for the first time after 1 September 2022, for the tax period in which they switched to CIT, provided that their turnover does not exceed UZS 10 billion during that tax period.

CIT payers whose revenue generated throughout any tax period after 1 September 2022 exceeds UZS 10 billion for the first time, for the tax period in which this threshold is exceeded and for the tax period following it, provided that the revenue generated throughout the tax period in which the reduced rate is applied does not exceed UZS 100 billion.

An optional simplified tax regime is available for all legal entities with annual turnover less than UZS 1 billion and individual entrepreneurs with turnover ranging from UZS 100 million to UZS 1 billion. Under this regime, turnover tax replaces CIT and VAT.

Turnover taxpayers whose revenue exceeds UZS 1 during the year will, however, become subject to the general income tax regime from the month following the month in which the annual revenue threshold was exceeded.

The reporting period for turnover tax has been set to a month (instead of a quarter previously).

Legal entities that provide intermediary services under a commission agreement, instructions, and other intermediary services agreements, including individual entrepreneurs providing intermediary services to telecom operators, calculate revenue from sale of goods/services on the basis of the transaction amount.

Certain taxpayers are not eligible for application of turnover tax (e.g. importers, producers of excisable goods, legal entities engaged into subsurface extraction, sale of petrol, diesel/gas fuel).

The general turnover tax rate is 4% but may vary from 1 to 25% depending on type of entity and services provided. Starting from 1 January 2022 till 1 January 2025, 1% turnover tax is applicable to legal entities located in established touristic zones.

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