



News of Uzbekistan tax legislation

Alert on recent changes to tax legislation of Uzbekistan

TWO INTERNATIONAL AGREEMENTS WERE APPROVED

Uzbekistan President's Decrees No. PD-4826 and PD-4827 were adopted on 15 September 2020, according to which two international treaties were approved:

1. Convention between Uzbekistan and Japan "On the elimination of double taxation with respect to income taxes and the prevention of tax evasion and avoidance" (Uzbekistan – Japan Double Tax Treaty ("DTT")), signed on 19 December 2019 in Tokyo. The new Uzbekistan – Japan DTT (after international procedures have been completed) is expected to come into effect from 1 January 2021, and it will replace the USSR-Japan DTT of 1986 (currently honored by Uzbekistan). New DTT stipulates the following changes in the withholding tax (WHT) rates, applied by contracting states:

Type of income	Current DTT rate (%)	New DTT rate (%)
Dividend	15*	5 / 10 **
Interest	10	5
Royalty	0 / 10 ***	0 / 5 ***

*Given that the domestic withholding rate for dividends in Uzbekistan is 10%, domestic withholding rate of 10% (not 15% as under the DTT) for dividends applies to payments of dividends made by Uzbek companies.

** The lower rate (i.e. 5%) applies if the beneficial owner of the dividends is a company that owns at least 25% of the payer of the dividends during the period of 365 days.

*** The 0% rate applies to royalties paid for the use of, or the right to use, copyrights of literary, artistic or scientific works, including motion picture films.

2. Protocol on Amendments to the Convention between the Government of Uzbekistan and the Government of the Republic of Korea "On avoidance of double taxation and prevention of tax evasion on income and capital" dated 11 February 1998, signed on 19 April 2019 in Tashkent. The Protocol provides the following changes to the current Uzbekistan – Korea (Rep.) DTT:

- ▶ Article 18 (Pensions) will be supplemented by the following paragraph: Notwithstanding the provision of paragraph 1, pensions paid and other payments made under government programs that are part of the social security system of a Contracting State or a local authority thereof, shall be taxable only in that Contracting State;
- ▶ Paragraph 1 of article 25 (Mutual Agreement Procedure) shall be replaced by the following paragraph: Where a person considers that the actions of one or both of the Contracting States (i.e. Uzbekistan or Republic of Korea) result or will result for that person in taxation not in accordance with the provisions of the Convention, that person may, irrespective of the remedies provided by the domestic law of those States, present the case to the competent authority of either Contracting States (previously such person could present the case only to the competent authority of the Contracting State of which he is a resident).
- ▶ etc.

FOREIGN ENTREPRENEURS WILL BE INCLUDED IN A SINGLE DATABASE

Decree of the Cabinet of Ministers of Uzbekistan No. 539 "On measures for further improvement of the mechanisms for collecting, processing and storing information about foreign legal entities operating via a representative office, branch or permanent establishment and individuals carrying out entrepreneurial activities" was adopted on 4 September 2020 ("Decree").

In accordance with the Decree, the following measures were introduced:

- ▶ Centralized database is created on foreign legal entities operating in Uzbekistan through a representative office, branch or permanent establishment, and individuals carrying out entrepreneurial activity in Uzbekistan, to ensure electronic interagency interaction in the provision of public services ("Centralized database").
- ▶ The responsible authority for the maintenance and formation of the Centralized Database is the State Tax Committee, which together with other ministries and departments, was instructed to develop and launch the Centralized Database by 1 January 2021.

We hope that you found this overview helpful. We will be glad to advise you on these changes in more detail and discuss should you have any questions.

Contact information:



Doniyorbek Zulunov
Partner, Tax Advisory Services

Tel.: +998 78 140 6482

Tel.: +7 727 258 5960

doniyorbek.zulunov@kz.ey.com



Dmitriy Kim
Senior Manager, Tax Advisory Services

Tel.: +998 78 140 6482

dmitriy.t.kim@uz.ey.com

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