

RESULTS OF VAT ON E-COMMERCE SERVICES OF FOREIGN LEGAL ENTITIES IN UZBEKISTAN

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Annotation: *the article discusses the mechanism for taxing foreign legal entities providing e-commerce services in Uzbekistan, examines the issues of subjecting them to value-added tax, its legal basis, and its specific features, today's importance of this tax in the formation of state budget revenues, as well as the existing problems in this regard, are indicated, based on world experience, suggestions and recommendations are made for improving the mechanism of taxation of this system in our country.*

Keywords: *e-commerce, e-commerce entities, e-commerce taxation, value added tax, tax jurisdiction, tax jurisdictions, double taxation.*

Analysis of literature on the topic.

The issues of taxation of e-commerce have been reflected in the scientific studies of many local and foreign experts. Theoretical and practical aspects of taxation of e-commerce services are discussed by a number of foreign experts, in particular, it has been studied in their scientific works by A. Krensel, K. Frieden, P. Dernberg. American economist A. Krensel suggests taking into account the characteristics of electronic commerce services when taxing them, economist J.Kennedy cited existing problems in the taxation of digital services and gave his recommendations regarding the non-taxation of transnational corporations providing these services, on the contrary, European economist-analyst A. Essen, while highlighting the current state of taxation of digital services in European countries, emphasized the need for a separate tax on this sector. Research conducted by P. Dernberg examined the theoretical and practical aspects of the international norms developed and adopted for the taxation of electronic commerce.

Russian economists A.V.Em, A.V.Koren have thoroughly researched the tax reforms implemented in the example of Russia and other countries to improve the taxation of e-commerce.

National economists Sh.A. Toshmatov, Z. Abdullaev, and K. Urazaliev, in their scientific research on improving the taxation system, studied certain aspects of issues related to the taxation of e-commerce.

Based on the above, it can be noted that the issues of subjecting foreign enterprises providing e-commerce services to value added tax have not been comprehensively studied in Uzbekistan.

Introduction.

The rapid growth of e-commerce worldwide shows that the formation of an effective taxation mechanism for e-commerce entities that takes into account the specific characteristics of conducting e-business activities on the Internet is one of the most important issues related to the growth of tax revenues for the state budget.

In order not to hinder its development and slow down the growth of e-commerce activity in the initial stage of its formation, the current system of taxation according to the general established procedure should be maintained, although approaches such as the lack of introduction of additional taxes and other mandatory payments and the lack of separate tax administration have been cautious in terms of taxation, the rapid development of this type of trade process in recent years has led to the need to improve tax administration in many countries, taking into account its specifics, in order to prevent budget losses, from this point of view, the development of the model of taxation of entities operating in this direction, as well as the improvement of the tax control system, remain relevant.

Analysis and results.

As is known, starting in 2020, in order to further simplify tax administration and create convenience for taxpayers operating in the field of e-commerce, the opportunity has been created for foreign legal entities providing electronic services to individuals to voluntarily register online as value added tax payers. For this purpose, a special service has been created - the Value Added Tax Office of Internet Companies <http://tax.uz>. This electronic platform allows foreign legal entities to apply for registration as value added tax payers in Uzbekistan and use their online personal account, submit reports and pay taxes, as well as get answers to questions.

According to the State Tax Committee¹, as of April 1, 2020, 26 foreign companies voluntarily registered as value added tax payers in Uzbekistan. After the relevant norm was introduced in the legislation, during the first 2 years (2020, 2021), 28 foreign companies providing electronic services to individuals without a permanent representative office registered as taxpayers.

It is reported that Facebook paid 5 billion 981 million soums in tax in 2020. Google also paid 3 billion 453 million soums, Apple - 1 billion 934 million soums, Netflix - 190 million soums, Booking.com - 181 million soums, and Yandex - 136 million soums in value-added tax².

¹ Based on the information of the website of the State Tax Committee <https://soliq.uz/>.

² Based on the information of the website of the State Tax Committee <https://soliq.uz/>.

Table 1

Foreign legal entities providing electronic services in Uzbekistan and the amount of value added tax paid by them in 2022-2024³

million soums							
№	Indicator name	2022 y.	2023 y.	Growth compared to the previous year, in %	2024 y.	Growth compared to the previous year, in %	Total
1	Number of enterprises	31	42	135,5	49	116,7	49
2	Amount of VAT paid	45 869,2	69 780,8	152,1	107 436,7	153,9	222 900,4

As shown in Table 1, the number of foreign legal entities providing electronic services in our country is steadily increasing, including 31 in 2022, and 42 in 2023, an increase of 135.5% compared to the previous year. According to the results of 2024, the number of foreign legal entities providing electronic services amounted to 49, an increase of 116.7% compared to 2023. If we compare this indicator with 2020, we can see that it has almost doubled, or by 188.5%.

It is no exaggeration to say that the increase in the number of foreign enterprises and organizations providing electronic services in Uzbekistan is due to the increased need of the population for online shopping and services during the coronavirus pandemic, as well as the widespread use of this type of service. It was the pandemic that led to the rapid development of electronic services and commerce not only in our republic, but also globally.

According to the results of the analysis of the data in Table 1, a total of 222,900.4 million soums of value-added tax was paid to the state budget by foreign legal entities providing electronic services registered with tax authorities in our republic in accordance with the established procedure over the past three years (2022-2024). In particular, the amount received in 2022 amounted to 45,869.2 million soums, and in 2023, it increased by 152.1% compared to the previous year and amounted to 69,780.8 million soums. According to the results of 2024, the amount of value-added tax paid to the state budget by foreign legal entities providing electronic services amounted to 107,436.7 million soums, an increase of 153.9% compared to 2023.

³ It was prepared by the author based on the information of the Ministry of Economy and Finance of the Republic of Uzbekistan

If we compare this indicator with 2022, we can see that the amount of value added tax paid by foreign legal entities providing electronic services in Uzbekistan in 2022-2024 increased by almost 2.5 times, or 234.2%.

As we noted above, the tax legislation of our country has clarified the procedure for paying value added tax for foreign companies that provide electronic services and created a tax administration that is convenient for taxpayers, in particular, we can observe positive results in the taxation of foreign legal entities providing electronic services in Uzbekistan, as a result of the simplification of their registration procedures with tax authorities.

At the same time, we must recognize the activities of the State Tax Committee in increasing the number of taxpayers in this category, which has led to the tax authorities' efforts in recent years to identify electronic services provided by foreign enterprises and organizations, noting that experience in control and taxation is being formed, and technical and technological opportunities have emerged, the constant and comprehensive effective promotional and explanatory activities carried out by tax authorities with foreign legal entities engaged in electronic commerce have also made a significant contribution.

According to Table 2, out of the 49 foreign legal entities providing electronic services currently registered with tax authorities in accordance with the established procedure, the largest value-added tax payers are the foreign companies META PLATFORMS IRELAND LIMITED, APPLE DISTRIBUTION INTERNATIONAL LIMITED, and GOOGLE COMMERCE LIMITED. Their share accounts for 78.1 percent of the total value added tax paid in 2024 of 107,436.7 million soums. Also, the value added tax paid to the state budget by foreign enterprises AMAZON.COM SERVICES, LLC, GOOGLE IRELAND LIMITED, BOOKING.COM B.V., ZOOM VIDEO COMMUNICATIONS, INC., NETFLIX INTERNATIONAL B.V. and YANDEX EUROPE AG amounted to 1 billion to 4.5 billion soums, and their share accounts for 13.2 percent of the total value added tax paid.

Table 2

**Amount of value added tax paid by large foreign legal entities providing electronic services in
Uzbekistan⁴
(2022-2024 yy.)**

million soums

№	Company name	Amount of VAT paid		
		2022 y.	2023 y.	2024 y.
1	XSOLLA (USA), INC.	798,1	808,2	900,3
2	GOOGLE COMMERCE LIMITED	11 101,5	15 020,1	20 699,1
3	NETFLIX INTERNATIONAL B.V.	867,7	1 215,3	1 354,6
4	APPLE DISTRIBUTION INTERNATIONAL LIMITED	6 264,7	12 934,1	22 692,3
5	GOOGLE IRELAND LIMITED	3 579,9	4 070,8	4 591,9
6	BOOKING.COM B.V.	2 336,3	1 651,9	3 051,8
7	YANDEX EUROPE AG	445,5	690,4	1 140,6
8	META PLATFORMS IRELAND LIMITED	18 594,4	26 402,7	40 673,2
9	GOOGLE CLOUD EMEA LIMITED	103,9	924,9	1 750,7
10	MICROSOFT IRELAND OPERATIONS LIMITED	256,8	436,5	466,2
11	ZOOM VIDEO COMMUNICATIONS, INC.	-	763,3	1 372,0
12	AMAZON WEB SERVICES EMEA SARL	-	733,3	349,3
13	AMAZON.COM SERVICES, LLC	-	1 455,6	3 458,7
14	THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS	-	-	1 226,5
15	Other businesses	1 520,2	2 673,7	3 709,7
	Total	45 869,2	69 780,8	107 436,7

All foreign companies providing electronic services have a tradition of increasing the amount of value added tax paid to the budget. This situation indicates that their activities are developing in our country, and the volume of electronic services provided has increased.

Based on world experience, in the conditions of digital economy and globalization, the scale of providing electronic services to the population in our republic, including the number of foreign enterprises and organizations providing this type of services, is expected to increase.

At the same time, it cannot be said that today all foreign business entities providing electronic services are registered in the established manner and pay value added tax or other established taxes. Not all "entrepreneurs" who engage in e-commerce, provide e-services, and sell digital products through social networks such as Telegram and Instagram are registered and fulfill their obligations to the state to pay taxes.

⁴ It was prepared by the author based on the information of the Ministry of Economy and Finance of the Republic of Uzbekistan

It should be noted that the specific characteristics of the digital economy and e-commerce, the lack of sufficient organizational, legal, technical and technological issues in taxation of the sector, the existence of problems related to ensuring financial control, it is difficult to effectively tax this line of business due to the recent emergence of this line of business and the fact that it is developing day by day, and the structure and mechanism of taxation taking into account the characteristics of the industry is now being formed.

Conclusions and suggestions

Electronic commerce is largely cross-border in nature, and its main distinguishing feature is the absence of territorial boundaries, more precisely, the sale and purchase of goods (works, services) is not tied to a specific place or country and can be carried out anywhere in the world. In order to effectively tax cross-border transactions in e-commerce, it is necessary to establish partnerships with other countries and organize a constant exchange of information.

One of the reasons for the emergence of tax administration problems in the process of taxing e-commerce is the lack of a system of mutual coordination between multilateral or bilateral interstate tax authorities. We believe that it is necessary to develop areas of international cooperation between tax services in order to improve tax administration in the field of e-commerce.

Tax authorities should form an effective taxation mechanism for e-commerce entities that takes into account the specific characteristics of conducting e-business activities on the Global Internet, business entities engaged in digital products and services should have the ability to control economic and financial transactions carried out through modern information technologies, such as keeping records of mandatory payments and implementing effective and systematic monitoring of their activities.

In order to ensure the effectiveness of tax administration in taxing e-commerce, it is advisable to ensure mutually beneficial activities between taxpayers and tax authorities, including regular promotional and explanatory activities by tax authorities with foreign legal entities engaged in e-commerce.

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