

TAX CONTROL AND APPEALING PROCEDURE IN UZBEKISTAN



GRATA
INTERNATIONAL



Content

About GRATA International	3
Types and/or forms of tax control	4
Procedure of appealing the results of tax control	7

About GRATA International



GRATA International is a dynamically developing international law firm which provides services for projects in the countries of the former Soviet Union and Eastern Europe: full coverage of the entire region with network of offices, highly qualified team of professionals suited for cross-border projects. Firm's reputation and expertise are confirmed by testimonials from transnational clients and leading international ratings.

A wide network of office operating under one system and platform delivers great convenience for our clients. Any office can act as a "one-stop-shop" for its clients and provide them with access to services in other cities and countries. If necessary, inter-office teams with relevant experience are assembled to provide solutions to complex tasks. Service quality is assured by a clear system of organisation of this process.

GRATA International is present in the following jurisdictions: Armenia (Yerevan), Azerbaijan (Baku), Belarus (Minsk), Cyprus (Limassol), Georgia (Tbilisi), Kazakhstan (Aktau, Almaty, Atyrau, Astana, and other cities), Kyrgyz Republic (Bishkek), Moldova (Chisinau), Mongolia (Ulaanbaatar), Russia (Moscow, St. Petersburg, Rostov-on-Don, Samara), Tajikistan (Dushanbe), Turkmenistan (Ashgabat), Turkey (Istanbul), UAE (Dubai), Ukraine (Kyiv) and Uzbekistan (Tashkent).

In addition to its offices, GRATA International has representatives in the UK (London), Germany (Frankfurt), the USA (New York), China (Beijing), Switzerland (Zurich), Malaysia (Kuala Lumpur).

GRATA International is regularly acclaimed by leading international rankings: Chambers Global, Chambers Asia-Pacific, Legal 500, IFLR1000, WWL, Asialaw Profiles, and is featured in Deals of the Year Awards by China Business Law Journal.

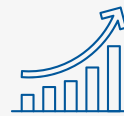
Key Industry Sectors:

- Banking & Finance
- Construction & Infrastructure
- Industry & Trade
- Mining
- Oil & Gas
- Pharmaceuticals & Healthcare
- Technology, Media & Telecommunications
- Transport



> 22

countries of presence



> 31

years of experience



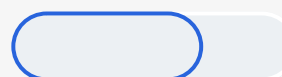
> 250

professionals



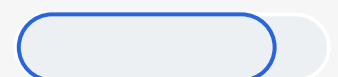
> 15

practice areas



7 700+

clients



15 000+

projects

TAX CONTROL AND APPEALING PROCEDURE IN UZBEKISTAN



Shokhrukh Ilkhomov

Senior Associate

T: +9 (9871) 230 2422

E: shilkhomov@gratanet.com



Nodir Yuldashev

Partner, Head of Construction and Infrastructure and Tax Practice

T: +9 (9871) 230 2422

E: nyuldashev@gratanet.com

TYPES AND/OR FORMS OF TAX CONTROL.

Tax legislation of the Republic of Uzbekistan envisages 2 (two) types of tax control, which include tax inspection and tax monitoring. The former will be subject to further discussion in the following paragraphs.

1.1. Types of tax inspections and the conducting procedure:

Tax inspections envisaged under the Tax Code of the Republic of Uzbekistan are conducted to monitor compliance with tax laws by taxpayers, payers of levies and tax agents. Tax authorities are entitled to conduct the following 3 (three) types of tax inspections:

- a cameral (in-house) tax inspection;
- an on-site tax inspection;
- an audit of tax operations.

Please see the in-depth description of the abovementioned tax inspection types:

Pre-verification analysis.

Prior to the start of the cameral tax inspection, the tax authorities have a right to conduct a pre-verification analysis, which is an automated analysis of submitted tax reports and other information about the taxpayer's activities without the taxpayer's participation and any order of the head (deputy head) of the tax authority. If, there have been revealed discrepancies and (or) errors in the submitted tax reports during the pre-verification analysis, the taxpayer is obliged to submit an updated tax report or justification of the identified discrepancies within 10 (ten) business days upon receipt of the notification. If tax payer fails to fulfill such an obligation, a cameral (in-house) tax inspection is the next step of the tax control. The pre-verification analysis is completed once the updated tax reports or justification of the identified discrepancies are filed or a cameral (in-house) tax inspection is appointed.

A cameral (in-house) tax inspection.

Tax authority conducts a cameral tax inspection on the basis of an analysis of tax reporting, financial statements filed by a taxpayer / tax agent, as well as other documents regarding a taxpayer's activities which are in the possession of the tax authority.

[1] <https://lex.uz/ru/docs/4272619>

[2] <https://lex.uz/ru/docs/6277774>

A cameral tax inspection is performed on the basis of a specific order issued by the director (deputy director) of the tax authority. In particular, the order shall contain the following:

- the name and identification number of the taxpayer;
- the full name, patronymic and position of the inspectors;
- the timing of the inspection;
- the inspected period;
- the types of taxes to be inspected.

In the course of a cameral tax inspection, the tax authority is entitled to request the following:

- accounting documents,
- explanations with respect to the submitted tax reporting and accounting documents,
- other information related to the calculation and payment of taxes and levies.

The requested information has to be provided within 5 (five) days from the date of the request, which may be extended by the tax authority at the request of the taxpayer as long as the reasons and the required time limit for the late submission are provided.

The cameral tax inspection is considered as completed when: spection types:



the amendments / corrections to the tax reports are required;



no discrepancies and (or) errors have been identified.

The taxpayer shall be obliged to submit the updated tax report(s) or a conclusion of the organization of tax consultants on the corresponding taxes and levies or justification for the revealed discrepancies with the submission of supporting documents, within 10 (ten) days from the date of request for amendments / corrections.

The review period of the filed document is 15 (fifteen) days and if the tax authority accepts and agrees with the provided justifications then a previously sent request or an updated request to amend the tax reports will be cancelled. If no updated tax reports (including after the updated request) or justification for the discrepancies are provided or the provided justifications have been deemed insufficient, then an audit of tax inspection might be assigned.

The period of a cameral (in-house) tax inspection shall not exceed overall period of 60 (sixty) days.

An on-site tax inspection.

Tax authority conducts an on-site tax inspection with regard to certain obligations of taxpayers in the area of the calculation and payment of taxes and levies. An on-site tax inspection includes checking of the following:



accounting documents;



the movement of inventories and monetary resources and



other information related to the taxpayer's activities.

During the on-site tax inspections, the tax authorities are entitled to implement preventive measures and time-keeping surveys, to check the use of cash registers and payment terminals and other tax control measures.

An on-site tax inspection is performed on the basis of a specific order issued by the director (deputy director) of the tax authority. In particular, the order shall contain the following:

the name and identification number of the taxpayer;

the full name, patronymic and position of the inspectors;

the timing of the inspection;

the inspected period;

the types of taxes to be inspected and

purpose of the inspection.

The beginning of an on-site tax inspection is the date of the order while the end date is the receipt of the conclusion in the form of act with respect to the on-site tax inspection, which in summon shall not exceed ten (10) days.

An audit of tax operations.

Tax authority conducts an audit of tax operations for the purposes of verification of the correctness of the calculation and payment of taxes and levies for a certain period. The notice for the planned audit of tax operation is sent to the taxpayer 30 (thirty) days prior to the inspection (if there are no signs of tax evasion). The notification shall contain the following information:

- the date of the start of the audit of tax operations;
- a list of issues to be verified;
- a preliminary list of requested documents and other data required for conducting an audit of tax operations.

An audit of tax operations is conducted on the basis of the order and the program approved by the director (deputy director) of the tax authority, which shall include the following details:

the name and identification number of the taxpayer which is being audited;

full name, patronymic and position of the inspectors;

the time limits and purpose of the audit of tax operations.

The period for an audit of tax operations shall be 30 (thirty) days, which might be extended for the period not exceeding six (6) months. The results of an audit of tax operations shall be provided to the taxpayer in the form of act on tax audit within 3 (three) days after completion of the inspection.

General rights of taxpayers during the mentioned above inspections:

- ✓ not to fulfill the demands of representatives of tax authorities unrelated to the inspections;
- ✓ to participate in tax inspections in person or through a representative;
- ✓ to give explanations to the inspecting tax authorities related to the execution of the tax legislation;
- ✓ not to file to the tax authority the requested documents (copies thereof) provided during the previous inspections or field tax inspections or during tax monitoring;
- ✓ to challenge the expert and request the appointment of an expert of his/her choice;
- ✓ to be present during the expert examination upon the permission of the tax authority's official and give explanations to the expert and get acquainted with the expert's report;
- ✓ to get acquainted with the materials of the tax inspection and receive conclusions in the form of an act;
- ✓ to appeal against unlawful acts of tax officials.
- ✓ To submit the opinion of a tax consultant organization as substantiation of inconsistencies indicated in the statement on the results of a cameral tax audit.

PROCEDURE OF APPEALING THE RESULTS OF TAX CONTROL:

Tax Code of the Republic of Uzbekistan entitles taxpayers with a right to appeal the results of an on-site tax inspection as well as an audit of tax operations in a pre-trial settlement and through the court settlement. In particular, the court settlement of the appealing can be applied once the results of the pre-trial settlement do not meet the expectation of the taxpayer.

2.1. Pre-trial appealing



In the pre-trial appealing procedure, taxpayer can contest the results of the tax inspections to a higher tax authority within 1 (one) month period from the day on which the taxpayer concerned became aware or should have become aware of the violation of his rights. The results of the tax inspections conducted by the district tax authority can be contested to the city tax authority once the taxpayer file an appeal. District tax authority is obliged to transmit the filed appeal along with provided material to the city tax authority within 3 (three) business days.

Tax legislation also stipulates the basis for a higher tax authority to dismiss the appeal:

- signing of the appeal by unauthorized party;
- filing the appeal after the expiry of the time limit and if no restoration basis is applicable;
- in the event of withdrawal in whole or in part of the appeal;
- filing of an appeal, which was previously filed on the same grounds;

- filing of an appeal, which violates the set order as well as requirements prescribed in the Tax Code;
- filing of an appeal as part of an initiated criminal file, or if the subject matter of the appeal is addressed to the court.

A taxpayer receives notification on whether the appeal was accepted or dismissed within 5 business days and if the appeal is accepted then further decision of the higher tax authority shall be issued within 3 business days.

A higher tax authority on the basis of the considered appeal and its supporting materials issues one of the following decisions:

- dismiss the appeal;
- rescind the non-normative act of the tax authority;
- rescind the decision of the tax authority in whole or in part;
- rescind the decision of the tax authority in full and adopt a new decision on the case;
- declare the actions or inaction of the tax authorities' officials unlawful and issue a substantive decision.

2.2. Court settlement procedure

Taxpayers are entitled to appeal the results of the tax inspections at the Administrative courts of the Republic of Uzbekistan within 6 (six) months period from the moment when the taxpayer concerned became aware of the violation of his/her rights, freedoms and legitimate interests.

The fees for the appealing at the Administrative courts including, but not limited to 10 (ten) Basic Calculation Value [1], the postage expenditures associated with the sending of court notices and court acts, the amounts to be paid for the expert examination appointed by the court, the summoning of the witness, the examination of evidence on the spot, the costs associated with holding the court session via videoconferencing, as well as other costs related to the consideration of the case.

The Administrative court considers the filed appeal of the taxpayer within 5 (five) business days and issues one of the following decisions:

- 1 accept the appeal;
- 2 refuse the appeal;
- 3 return or transfer to another court according to jurisdiction.

The Code of the Republic of Uzbekistan on Administrative Proceedings stipulates that the court proceeding at the Administrative court shall be completed within no more than 2 (two) months period. The court decision comes into force after 1 (one) month and the taxpayer has a right to file an appeal during this period to the higher court instances.

In particular, the decision of the inter-district courts is considered at the Administrative courts of regions and Tashkent city, while the highest authorized instance is Judicial Board for Administrative Cases of the Supreme Court of the Republic of Uzbekistan.



OTHER DETAILS.

The tax legislation of the Republic of Uzbekistan divides the taxpayers into the following categories, on a scale from 1 to 100:

- 1.81% — 100% — highest risk;
- 2.30% — 80% — average risk;
- 3.1% — 29% — low risk.

THE LEVEL OF TAX RISK IS DETERMINED 1 (ONCE) EVERY SIX MONTHS. HOWEVER, THE RISK LEVEL OF TAXPAYERS WHO DO NOT HAVE A HIGH LEVEL (IF THE UNPAID TAX DEBT LEAVES NO MORE THAN 30 DAYS) IS DETERMINED 1 (ONCE) A QUARTER.

Tax authority use one the following information to analyze the tax risk of taxpayer:

- 1 tax and financial reports submitted by taxpayers; information reflected in personal account cards;
- 2 information submitted to the tax authorities by government agencies, institutions and organizations;
- 3 information provided by competent authorities of foreign countries within the framework of agreements on information exchange;
- 4 information from mass media;
- 5 information from the materials of audits of the tax operations;
- 6 information on tax violations discovered by courts and law enforcement authorities;
- 7 appeals of individuals and legal entities regarding the facts of tax violations;
- 8 statistical data;
- 9 information obtained from other sources not prohibited by law.

Tax authorities assign an audit for tax operations to the taxpayers with a high level of tax risk, and other tax inspections can be applied to the remaining risk categories. From the perspective of tax payers, the tax legislation of the Republic of Uzbekistan is fair, which is the main incentive for the taxpayers to comply with the provisions of tax legislation.

[1] Calculating amount of charges amounting 330 000 Uzbek soums on June 2023 (equivalent to approximately 30 US Dollars)



Global Presence



Integrated Offices

Azerbaijan
Baku

Kyrgyzstan
Bishkek

Tajikistan
Dushanbe

Belarus
Minsk

Moldova
Chisinau

Ukraine
Kyiv

Georgia
Tbilisi

Mongolia
Ulaanbaatar

Uzbekistan
Tashkent

Kazakhstan
Astana
Almaty
Atyrau
Aktau, etc.

Russia
Moscow
Rostov-on-Don
St. Petersburg

Armenia
Yerevan



Associate Offices

Cyprus
Limassol

Russia
Samara

Turkmenistan
Ashgabat

Turkey
Istanbul

UAE
Dubai



Representatives

China
Beijing

Germany
Frankfurt

Malaysia
Kuala Lumpur

Switzerland
Zurich

UK
London

USA
New York