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The Convention between Japan and Uzbekistan on the elimination of double taxation comes into force

On 17 September 2020, there were completed the procedures for the entry into force of the “Convention between Japan and the Republic of Uzbekistan on the elimination of double taxation with respect to taxes on income and the prevention of tax evasion and avoidance” (the “Convention”) signed in December 2019. The Convention will enter into force on 17 October 2020.

It was noted that the entry into force of the Convention will prevent international tax evasion and avoidance by eliminating double taxation in both countries, and will also contribute to the further development of investment and economic exchange.

In accordance with the provisions of the Convention, double taxation of income received by Japanese or Uzbek companies and individuals in one of the participating countries will be eliminated.

Thus, income earned by a Japanese company in Uzbekistan will be taxed either in Japan, which is the “country of residence” or in Uzbekistan, which is the “country where the income was received”.

This Convention shall apply to the following:

1. In Japan:

- ▶ in relation to taxes levied on a tax period basis: taxes for each tax period commencing on 1 January 2021;
- ▶ in relation to taxes levied on a non-taxable basis: taxes levied from 1 January 2021.

2. In the Republic of Uzbekistan:

- ▶ in relation to withholding taxes: income received from 1 January 2021;
- ▶ in relation to other taxes: taxes levied for each tax period commencing on 1 January 2021.

Moreover, the provisions concerning the exchange of information and mutual assistance in the collection of tax will apply from the date of the tax levied or from the date of entry into force of the Convention, regardless of the tax period.

Tax on dividends and income tax rates are subject to approval in the full text of the Convention, which will be published shortly.

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