

The legal framework of the e-commerce environment in Uzbekistan.

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Abstract:

The era of globalization requires the efficient use of technologies to cope with the modern world and its features. Without technology, no nation can think about take off to development. In the business world development means economic growth and running towards its peak. This peak is attainable only after the appropriate use of unique technologies. Technology saves time and mobilizes the economy. Electronic commerce is rapidly growing as an impressive manifestation of globalization. The rapid expansion of e-commerce is a major opportunity for local and international trade development of LDCs including Bangladesh. This study concentrates only on the regulatory framework of e-commerce.

Key words: blockchain, globalization, Foreign suppliers, legal framework, crypto-asset, training qualified personnel.

The adoption of the decision of the President of the Republic of Uzbekistan “On measures to develop the digital economy in the Republic of Uzbekistan” dated July 3, 2018 PQ-3832 is an important step in the development of the digital economy, and further development of the digital economy in our country the most important tasks, which include the following, have been determined:¹

- introduction of activities in the field of crypto-asset circulation, including mining, smart-contract, consulting, emission, exchange, storage, distribution, management, insurance, crowd-funding (collective financing) technologies in order to diversify various forms of investment and business activities;
- training qualified personnel with practical work skills who understand modern information and communication technologies well in the field of development and use of blockchain technologies, as well as attracting highly qualified foreign specialists;
- comprehensive development of cooperation with international and foreign organizations in the field of activities on crypto-assets and “blockchain” technologies,

¹ Gulomkhasanov, E. M., Bakhadir, O., & Madina, L. (2021). DEVELOPMENT OF THE DIGITAL ECONOMY IN THE TOURISM SPHERE IN UZBEKISTAN. *ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РЕАЛІЗАЦІЇ ТА ВПРОВАДЖЕННЯ МІЖДИСЦИПЛІНАРНИХ НАУКОВИХ ДОСЯГНЕНЬ*, 24.

as well as creation of the necessary legal framework taking into account advanced foreign experience;

- to ensure close cooperation of state bodies and business entities in the field of introducing innovative ideas, technologies and developments for the further development of the digital economy.

For example, the introduction of the “Electronic Government” system in our country is an integral part of the development of the digital economy, and its main goal is to simplify the transition from administrative procedures and procedures, to increase the quality of life of the population, and to improve the investment and business environment.

In order to implement the main tasks, as well as to achieve the goal of developing a digital society in our country, creating convenient opportunities for residents and entrepreneurs, and developing an effective and open public administration system free from bureaucratic barriers and corrupt factors, today all sectors of the economy the national concept of “digital economy” is being developed, which involves updating on the basis of digital technologies, and it is expected to create an opportunity to increase the volume of the gross domestic product by an additional 30% through the development of the digital economy.

In the conditions of globalization of the world economy and technological development, it is difficult to imagine the economic development of Uzbekistan without the digital economy. According to research results, it is estimated that by 2022, a quarter of the global GDP will be in the digital sector. However, the fact that Uzbekistan occupies the 103rd place among more than 170 countries according to the international index of development of information and communication technologies indicates that there are still many issues that need to be solved in this field in our country.²

The head of our state stated that “... although our country rose by 8 points in the international information and communication technology development index in 2019, it is still far behind. It is also true that most ministries, agencies, and enterprises are far from digital technologies. Of course, we know very well that the formation of the digital economy requires the necessary infrastructure, a lot of money and labor resources. However, no matter how difficult it is, if we don't start this job today, when will we

² Prepared based on the data of the Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/>

start it?! Tomorrow will be too late. Therefore, active transition to the digital economy will be one of our top priorities in the next 5 years”.³

Digital technologies not only increase the quality of products and services, but also reduce excess costs. At the same time, they are also an effective tool in eliminating the worst evil that worries and bothers me the most - the scourge of corruption. We all need to understand this deeply. It is possible to widely introduce digital technologies in state and community management, and in the social sphere, to increase efficiency, in a word, to dramatically improve people's lives.

It should be noted that some elements of the digital economy are already successfully operating in the life of our country. In particular, taking into account the mass transfer of documents and communications to digital means, the authorization of electronic signatures and communication with the state are also being transferred to electronic platforms.

According to UN Secretary General António Guterres, “the digital economy can create new risks, including threats to cyber security, facilitation of illegal economic activities, and violations of privacy. Making new decisions requires collaborative action by governments, civil society, academic groups, the scientific community, and the technology sector.”⁴

Below we summarize some of the important changes introduced by the new Tax Code:

1. Digital services. Starting January 1, 2020, non-residents of Uzbekistan must pay local VAT (15%) for a number of digital services provided to customers residing in Uzbekistan (or using a local bank account to pay the purchase price).

Foreign suppliers of digital services must register as a VAT payer with the tax authorities of Uzbekistan within 30 days after providing the service. The State Tax Committee launched a website (<http://tax.uz/en>) where non-resident suppliers of electronic services can register with tax authorities and submit reports.

2. Transfer prices. The new Tax Code includes detailed regulation of transfer pricing that will come into effect on January 1, 2022. There was no such arrangement before. Some of the highlights of the new rules are listed below:

(i) A controlled transaction for tax purposes must be in accordance with market requirements. There are two types of managed transactions:

³ Gulomkhasanov, E. M., Bakhadir, O., & Madina, L. (2021). DEVELOPMENT OF THE DIGITAL ECONOMY IN THE TOURISM SPHERE IN UZBEKISTAN. *ПРОБЛЕМИ ТА ПЕРСПЕКТИВИ РЕАЛІЗАЦІЇ ТА ВПРОВАДЖЕННЯ МІЖДИСЦИПЛІНАРНИХ НАУКОВИХ ДОСЯГНЕНЬ*, 24.

⁴ Mexmonov, S., 2020. Actual issues of electronic commerce development in the republic of Uzbekistan. *Архив научных исследований*, 33(1).

a. 5 billion between related parties. a transaction exceeding 524,000 soums (about 524,000 US dollars at the current exchange rate) (in certain cases - 500 million soums);

b. cross-border transactions related to oil, petroleum products, precious and non-ferrous metals and other types of products (the full list of which must be approved by the State Customs Committee) or transactions concluded by one of the parties in the prescribed manner. offshore jurisdiction. These transactions can be between related and unrelated parties.

(ii) Information on controlled transactions must be submitted annually to the tax authorities.

(iii) The new Tax Code specifies the sources of data (commodity exchange quotations, etc.) that should be used to determine the market price.

(iv) If the tax authorities find that there is a discrepancy between the transaction price and the market value, they can adjust the transaction price, assess the unpaid / unpaid taxes and impose fines and penalties. Transfer pricing rules provide for the following methods of determining the market price: the comparable market price method; resale price method; method of adding expenses; comparable profitability method; and method of profit sharing.

(v) At the request of the State Tax Committee, the taxpayer must provide documents on the prices transferred for a specific transaction (for example, justification of the used price determination method). Such a request shall not be made until June 1 of the year following the year in which the transaction was made.

3. Controlled foreign companies. Effective January 1, 2022, the new Tax Code introduces the concept of a controlled foreign company ("CFC").

According to CFC rules, a local tax resident (company or individual) is a CFC owner if he owns a 50 percent stake in a foreign company (from January 1, 2023 - more than 25 percent). if there is no such company (among other things):

(ii) the applicable corporate income tax rate must not be less than 15% and Uzbekistan is located in a country with a bilateral tax treaty.⁵

Compared to the total number of monitored organizations, the use of ICT in organizations showed that local computer networks accounted for 5.8% in 2018 and 3% in 2021. The Internet accounted for 27.5% in 2018, and in 2021 it accounted for 17.5% of the total number of monitored organizations. Organizations with a website averaged 3.96% from 2018 to 2021 (Table 3.2.1).

Table 3.2.1

⁵ Prepared based on the information from <http://tax.uz>

Use of ICT in organizations (in relation to the total number of monitored organizations)⁶

User organizations:	2018	2019	2020	2021
Local computer networks	5,8	5,3	3,8	3,0
Email	0,4	0,4	0,4	0,2
Internet	27,5	26,2	21,1	17,5
Organizations with a website	4,0	2,5	2,2	1,2

E-commerce plays an important role in the development of business activities. Electronic commerce activity is determined and implemented by the new version of the Law of the Republic of Uzbekistan “On Electronic Commerce” adopted on May 22, 2015. The number of Internet users in Uzbekistan shows an increasing trend from 2010 to 2020. According to Internet Live Stats, in the middle of 2016, the level of access to the Internet in Uzbekistan was 50% (15.5 million people). During one year, the number of users was 893,600 people (approximately 6% increase), and the population growth during this period was 1.4%.n (Figure 3.2.1)

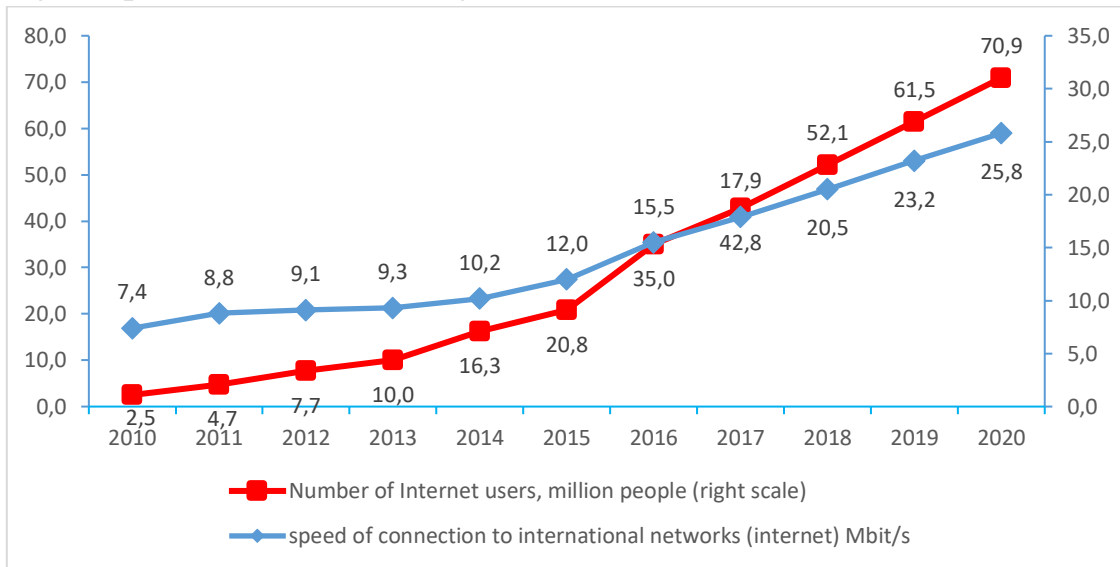


Figure 3.2.1 The number of Internet users in Uzbekistan and the speed of connecting external channels to international networks⁷

The development of ICT in Uzbekistan is carried out on the basis of the Comprehensive Development Program of the National Information and Communication System of the Republic of Uzbekistan for 2013-2020. This program was approved by the Decision of the First President of the Republic of Uzbekistan Islam

⁶ Prepared based on the data of the Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/>

⁷ Prepared based on the data of the Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/>

Karimov of March 21, 2012 “On measures for the further introduction and development of modern information and communication technologies” PQ-1730.

So, it is a guarantee of successful monitoring of the implementation of state programs for the development of ICT, and the establishment of an effective system of indicators of the formation of the information economy serves.

The UNCTAD report notes that the scope for developing countries to participate in and benefit from e-commerce is expanding. First, connectivity has improved, with widespread uptake of mobile telephones, social media and rising levels of Internet use. Second, new e-commerce applications, platforms and payment solutions are making it easier to engage in e-commerce. Third, local e-companies with e-commerce services tailored to local demands are rapidly appearing in developing countries, including in least developed countries. For example, in Bangladesh and Cambodia, new e-commerce sites are targeting the domestic market, enabling consumers to browse and order products online. In sub-Saharan Africa, various solutions have been adapted to facilitate commerce over feature phones, and many gateways have emerged that can facilitate payment for e-commerce via mobile phones.

At the same time, asymmetric access to major market places and e-commerce platforms may accentuate existing imbalances in e-commerce trade. Merchants in many developing countries do not enjoy equal access to these market places. Data from the Universal Postal Union on cross-border postal traffic of small packets, parcels and packages also show that while developed countries, and Asia and Oceania, run significant trade surpluses, Latin America and transition economies import much more than they export.

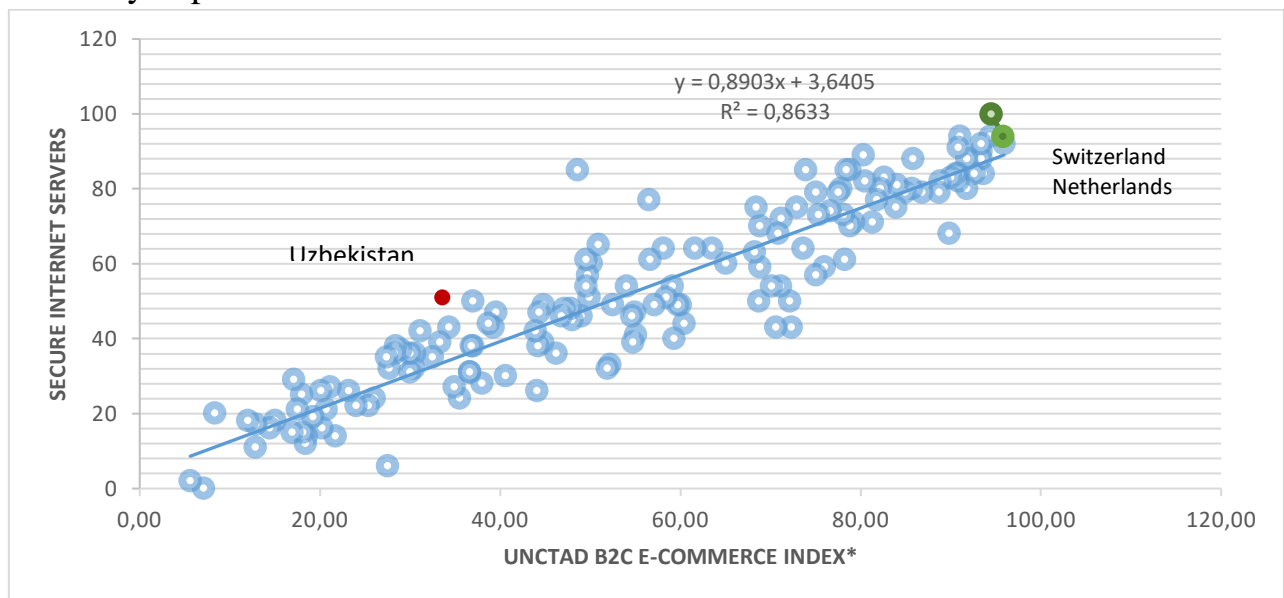


Figure 3.2.2 UNCTAD B2C e-commerce index in all countries.⁸

All of the top ten developing economies in the 2020 index are from Asia, and all are upper middle-income or high-income economies. Unlike the global top ten, the range of index values is wider, with a 24-point difference between first (Singapore) and tenth (Oman). Compared to the 2019 index, there was only one change in the composition of this group: Turkey dropped out and was replaced by Oman. The biggest improvement in the index value was noted for Malaysia.

The largest increases in index scores were noted for some developing countries. The top four were Algeria, Ghana, Brazil and Lao PDR, which all saw their scores surge by at least five points largely due to significant improvements in postal reliability.

However, we can see that Uzbekistan also entered to the chat with significant figures in both essential factors (SIS and B2Ci). However, since 2017 Uzbekistan is not attending in this chart showing less reliability in e-commerce data given in our countries. This means, country should attend actively in the factoring rating in order to provide competitiveness in e-commerce businesses (Figure 3.2.2).

In conclusion, the main products of e-commerce in Uzbekistan are food products, manufacturing products and information products. As a matter of fact, it is not new that companies conduct their activities digitally. The use of computers in workplaces facilitated the activity of companies, and the emergence of the Internet led to the strengthening of the field of electronic commerce. Initially, large corporations used the Internet for commercial purposes, but later small firms also began to feel the need for it.

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