



# **Transfer Pricing**

Uzbekistan



## Transfer Pricing under Scrutiny - What Companies Need to Know

### General Provisions

Since the beginning of 2022, Uzbekistan has had rules in place to verify the reasonableness of prices in transactions between related companies. These rules apply to taxes such as corporate income tax, personal income tax, tax on the use of subsoil resources, value-added tax, and excise tax.

If the tax authorities find that a company has underpaid its taxes or overstated its losses due to incorrect pricing, they can recalculate the taxes.

Key Terms	Description
Transfer Price	This is the price in transactions between related companies. It may differ from the price that would be in a similar situation if the companies were not related to each other.
Transfer Pricing (TP)	This is when related companies set the terms of transactions or the results of activities that differ from what would be the case if they were not related.
Related Parties	These are companies or people whose relationships may affect the terms or results of their transactions or their activities. A complete list of such persons is provided in Article 37 of the Tax Code of Uzbekistan.

### Criteria for Recognizing Transactions as Controlled

Transaction Type	Annual Turnover Threshold
<i>Transactions between residents</i>	
Transactions between related parties	<b>Over 5 billion soums</b> (approximately 400 thousand US dollars)

Transactions between related parties, where at least one of the parties to the transaction applies a special tax regime or is a participant in a special economic zone <sup>1</sup>	<p><b>Over 500 million soums</b> (approximately 40 thousand US dollars)</p>
Transactions between related parties, where at least one of the parties to the transaction is exempt from paying income tax, applies a reduced tax rate or other tax benefits <sup>2</sup>	
Transactions between related parties, the subject of which is a mineral extracted by one of the parties to the transaction <sup>3</sup>	
<b><i>Cross-border transactions</i></b>	
Transactions with foreign related parties	<b>No threshold</b>
Foreign trade transactions in goods of world exchange trade with foreign independent persons	<b>No threshold</b>
Transactions of all taxpayers with residents of offshore zones	<b>No threshold</b>

- 1) *Provided that among other parties to this transaction there is a person who does not apply special tax regimes.*
- 2) *Provided that among other parties to this transaction there is a person who is not exempt from paying such tax and does not apply benefits.*
- 3) *If the tax on the use of subsoil resources in relation to this mineral provides for an ad valorem (percentage) tax rate.*

## Notification and Control of Transfer Prices

- **Informing the tax authorities:** Companies are required to notify the tax authorities about controlled transactions no later than the deadline for submitting the annual financial statements.
- **Providing documentation:** The tax authorities have the right to request documentation on a specific transaction or a group of homogeneous transactions.
- **Decision-making:** Based on the documentation provided, the tax authorities assess the reasonableness of the prices applied, that is, their compliance with market prices. The Tax Code of the Republic of Uzbekistan does not oblige the tax authorities to follow the pricing methodology proposed by the taxpayer.
- **Penalties:** Failure to pay or incomplete payment of tax as a result of the application of transfer pricing rules by the tax authorities entails the imposition of a fine in the amount of 40% of the unpaid amount of tax.

## Deadlines for Submission of Documents

Document Type	Deadlines
<b>Notification of controlled transactions in the prescribed form</b>	By April 15 of the year following the reporting year. <i>(For example, the notification of controlled transactions for 2024 is submitted by April 15, 2025)</i>
<b>TP documentation at the request of the tax authorities</b>	Within 30 calendar days from the date of receipt of the relevant request from the tax authorities. However, the tax authorities are not entitled to request these documents before June 1 of the year following the reporting year. <i>(For example, for transactions made during 2024, documentation can only be requested from June 1, 2025)</i>

## Methodologies of Transfer Pricing Control

When controlling transfer prices, the tax service of Uzbekistan applies the following methods in strict sequence:

Methods	Description
<b>Comparable Uncontrolled Price Method</b> <i>(priority method)</i>	We compare the price in the analyzed transaction with the prices for similar goods/services on the market. It is used if there is information about at least one similar transaction.
<b>Resale Price Method</b> <i>(priority method for resale of goods to independent parties)</i>	We compare the profit from the resale of goods purchased in the analyzed transaction with the typical profit from such resales.
<b>Cost Plus Method</b>	We compare the profit from the analyzed transaction (price minus costs) with the typical profit in similar transactions with independent parties.
<b>Transactional Net Margin Method</b>	We compare the profit of the analyzed company from its main activity with the profit of similar companies.
<b>Profit Split Method</b>	We compare how the total profit is divided between the participants in the analyzed transaction with how it happens in similar transactions.

*If necessary, a combination of two or more methods is allowed.*

## Checklist for Transfer Pricing Scrutiny

- 1) Identify which related companies or individuals you actually or potentially conducted transactions with in the reporting year.
- 2) Make a list of transactions that fall under transfer pricing control, both already completed and planned in the reporting year. If necessary, group similar transactions for price comparison.
- 3) If possible, create an internal system to track actual prices and profitability for controlled transactions. When determining prices, be guided by the methods provided for in the transfer pricing rules.
- 4) Submit a notification of controlled transactions for the reporting year within the prescribed period.
- 5) Prepare documents confirming the validity of the application of transfer prices in controlled transactions for the reporting year.

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***Shall you need assistance in complying with transfer pricing rules, our company offers consulting services and support in preparing respective documentation.***

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### Contact information

For more information on how ADVIZEN can help you, please contact us.

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