## Consolidated group of taxpayers *(Chapter 5 of the Tax Code of Uzbekistan)*

**Consolidated group** of taxpayers shall be defined as an association of legal entities - payers of income tax on the basis of an agreement. **Member of a consolidated group of taxpayers** shall be defined as an organization that is a party to the agreement on the establishment of the group and meets the established criteria (Article 61 of the Tax Code).

*The advantage for consolidated group (hereinafter - the "CG") members is that the burden of paying income tax is significantly reduced. Loss and profit margins for all CG members are summed up.*

*The tax base of all member companies of the group is put together (consolidated). In doing so, transactions conducted between the parties to the agreement on the establishment of a CG cannot be subject to transfer pricing. The only exceptions are deals concluded in relation to extracted minerals.*

*Participating companies are consolidated without creating a legal entity in order to reduce the tax burden on income tax. This tax is calculated for a CG as a whole and is paid on the basis of the norms prescribed in Chapter 5 of the Tax Code of Uzbekistan.*

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## Conditions for establishment of a consolidated group

The main requirement for establishment of a CG is for the responsible member of the consolidated group to manage either indirectly or directly the 90% of the Charter Capital (hereinafter - CC) of each enterprise included in the group. It is hereby important for this requirement to be met throughout the validity period of the contract on the establishment of a group.

Article 38 of the Tax Code of Uzbekistan explains the way of how to determine the share of one company in another.

Enterprises shall not be in the process of liquidation, bankruptcy, liquidation, or reorganization.

In addition, the amount of an entity’s net assets calculated on the basis of the financial statements as of the last reporting date preceding the date of submission of documents to the tax authority for registration of an agreement on the establishment (amendment) of a consolidated group of taxpayers shall exceed the amount of its Charter Fund (Charter Capital).

The CG shall be established for a period of at least 2 years.

**Who cannot participate in the consolidated group?**

The following entities shall not be eligible to become members of the consolidated group of taxpayers:

* + Legal entities that are members of special economic zones;
  + Legal entities that apply special tax regimes;
  + Banks, except for the cases when all other legal entities included in this consolidated group are banks;
  + Insurance companies, except for the cases when all other legal entities of this consolidated group are insurance companies;
  + Professional participants of the securities market that are not banks, except for the cases when all other legal entities in this consolidated group are professional participants of the securities market that are not banks;
  + Legal entities, which are not recognized as income tax payers;
  + Clearing organizations;
  + Microcredit organizations.

**Who is the responsible member?**

* + The responsible member of a consolidated group is the company that is a party to the CG agreement. The member shall be entrusted with a duty (in accordance with the terms of the agreement) to calculate and pay income tax on the group as a whole.
  + The responsible member of a consolidated group shall have the same rights and obligations to the fiscal authorities as the ordinary income tax payer.
  + The authority of the responsible member shall be confirmed by the agreement on the establishment of a CG signed by all members and registered. One of the duties of the responsible member shall be to register the concluded agreement on the establishment of a CG. In case if the responsible member is a taxpayer classified as a large taxpayer, the registration of the agreement shall be made in the tax authority where the member is serviced.

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## Agreement on establishment of a consolidated group of taxpayers (Article 63 of the Tax Code of Uzbekistan)

The agreement on establishment of a consolidated group of taxpayers shall contain the following provisions:

* Subject matter of the agreement on establishment of consolidated group of taxpayers;
* List and details of legal entities - members of the consolidated group of taxpayers;
* Name of a legal entity - responsible member of consolidated group of taxpayers;
* The list of powers that the members of the consolidated group of taxpayers give to a responsible member of the group in accordance with this Chapter;
* Procedure and period of performance of obligations and exercise of rights by the responsible member and other members of the consolidated group of taxpayers, which are not provided for by this Code; responsibility for failure to fulfill the established obligations;
* Period calculated in calendar years, for which a consolidated group of taxpayers is created, if it is created for a certain period of time, or an indication of absence of a certain period, for which the group is created;
* Indicators required determining the tax base and payment of income tax for each member of a consolidated group of taxpayers, taking into account the peculiarities provided for in the Special Part of this Code. Hereby, the selected indicators shall not be subject to change during the entire term of the agreement on the establishment of a consolidated group of taxpayers.

The agreement on the establishment of a consolidated group of taxpayers shall be registered with the tax authority at the location of the legal entity - responsible member of the consolidated group of taxpayers.

If a responsible member of a consolidated group of taxpayers is classified as a large taxpayer, the agreement on the establishment of a consolidated group of taxpayers shall be registered with the tax authority at the place of registration of the responsible member of the consolidated group as a large taxpayer.

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**When registration of the agreement may be refused?**

The refusal of the tax authority to register an agreement on establishment of a consolidated group of taxpayers shall be allowed only in the presence of at least one of the following circumstances:

* Non-compliance with the conditions for establishment of a consolidated group of taxpayers stipulated by Article 62 of this Code;
* Non-compliance of the agreement on creation of a consolidated group of taxpayers with the requirements specified in Paragraph Three of Article 63 of this Code;
* Failure to submit or non-submission in full to the authorized tax authority of the documents for registration of the agreement on establishment of the consolidated group of the taxpayers stipulated in the first paragraph of this Article, or violation of the deadline for submission of the indicated documents stipulated in the second paragraph of this Article;
* In case of signing documents by persons not authorized to do so.

Should the tax authority refuse to register an agreement on establishment of a consolidated group of taxpayers, the responsible party shall be entitled to resubmit the documents on registration of such an agreement after elimination of shortcomings.

**Conditions and procedure for termination of business activities of the consolidated group** (Article 68 of the Tax Code of Uzbekistan)

A consolidated group of taxpayers shall cease to be effective under at least one of the following circumstances:

* Expiration of the agreement on establishment of a consolidated group of taxpayers;
* Termination of the agreement on establishment of a consolidated group of taxpayers by agreement of the parties;
* Entry into force of the court decision to recognize the agreement on the establishment of a consolidated group of taxpayers as invalid;
* Non-submission to the tax authority of the agreement on amendment of the agreement on establishment of a consolidated group of taxpayers due to changes in the composition of its members within the established time limits;
* Reorganization (other than transformation) or liquidation of the responsible member of a consolidated group of taxpayers;
* Initiation of insolvency (bankruptcy) proceedings in accordance with the legislation against the responsible member of a consolidated group of taxpayers;
* Non-compliance of the responsible member of a consolidated group of taxpayers with conditions stipulated by the Article 62 of this Code;
* Evasion from mandatory amendments in the agreement on establishment of a consolidated group of taxpayers.