

Tax Agenda Uzbekistan

January 2023

No.	Fact	Action
1	<p>Amendments to the tax legislation</p> <p>In December 2023, the legislative acts updating and amending the Tax Code of Uzbekistan were passed, based on which:</p> <ul style="list-style-type: none">▶ The following changes are introduced starting from 1 April 2024: cancellation of the VAT exemption for the following transactions:<ul style="list-style-type: none">▶ Import and sales of medicines, medical and veterinary products, as well as raw materials for the production of medicines, medical and veterinary products, as well as medical and veterinary services▶ Services of water supply, sewerage, sanitation and heat supply provided to the population▶ Until January 2028, a VAT exemption is introduced for the sales turnover as well as import of goods (services) purchased within the framework of infrastructure projects implemented wholly or partially at the expense of public external debt raised by budget organizations, state-owned enterprises and companies with a state share of 50% or more from international financial institutions and foreign government financial organizations (with an exception of funds borrowed or refinanced through commercial banks of Uzbekistan). This exemption covers for relations arising from 16 November 2023.	<p>Such new legislative amendments would have wide-ranging consequences which taxpayers will need to take into account and prepare for. It is important for companies to consider the potential impact of the proposed new rules on their business and internal procedures.</p>

Use text boxes above the timeline to plan your actions for coming months

No. Fact

Action

2

- ▶ From 1 April 2024, excise tax is imposed on carbonated drinks containing sugar in the fixed amount of UZS 500 per liter (approx. USD \$0.04)
- ▶ The excise tax rates (fixed in local currency) are increased (due to inflation) on cigarettes and similar products by 12%
- ▶ From 1 July 2024, the excise tax is increased on produced alcohol by 5% and from 1 January 2024 to reduce the tax rate on imported alcohol by 5% in order to comply with WTO rules
- ▶ From 1 January 2024 the following terms are reduced from five to three years:
 - ▶ The statute of limitation for a tax liability
 - ▶ The period of retention of tax records, and
 - ▶ The period when an application for an offset or refund of overpaid taxes can be submitted to the tax authorities.

Consider the changes as well as new tax obligations when building financial models.



3

Cancellation of a "tax gap" coefficient

The practice of applying a "tax gap" coefficient is cancelled from 1 October 2023 when refunding a VAT receivable (excess of input of output) from the state budget. The tax gap coefficient (which calculation was not fully transparent and subject to disputes between the tax authorities and taxpayers) was displayed in tax administration systems and turned those who had a high risk indicator into bad-faith taxpayers. Input VAT incurred within transactions with such taxpayers could be challenged for offset or refund.

Comply with a supplier due diligence principle while choosing counterparties, i.e., checking whether they are duly registered with the tax authorities as taxpayers, their business reputation, availability of production facilities and personnel, financial ability to fulfill obligations under the transaction, etc., because even in the absence of such publicly available indicator as the "tax gap", the tax authorities are still entitled to challenge VAT incurred in transactions with malicious suppliers.



4

Annulment of certificates of IT park residents for non-compliance

In October 2023 the state authorities informed that from the beginning of 2023 the IT Park (a special "vehicle or zone" for obtaining tax benefits and other benefits for IT companies) has revoked the resident status of 236 companies on the ground that they did not comply with qualification requirements such as conducting the activities as per approved list, report them on a timely basis, etc.

Residents of the IT park enjoy significant tax benefits. In particular, exemption from corporate income tax, social tax and VAT on the import of services, etc. In addition, personal income tax is paid at a rate of 7.5% instead of standard 12%.

If the deficiencies are eliminated, resident status can be restored.

*The base specified value is equal to UZS 330,000 as of now.

Current and potential tax residents of IT park should pay greater attention to qualification requirements.



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