

# Tax Agenda Uzbekistan

October 2024



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No.	Fact	Action
1	<p>On 30 August 2024, the President of the Republic of Uzbekistan signed the Decree No. PD-132 introducing new support measures for entrepreneurs, including VAT refunds, tax incentives and other measures. Key tax related points of the Decree:</p> <ul style="list-style-type: none"><li>▶ From 1 January 2025 to 1 January 2028, the corporate income tax rate for public catering enterprises will be reduced by 50%.</li><li>▶ From 1 October 2024 until 1 January 2028, tourism operators and hotels will receive a 20% refund of paid VAT.</li><li>▶ From 1 January 2025 to 1 January 2028, public catering services will receive a 40% VAT refund if at least 60% of monthly turnover is non-cash (otherwise, 20% VAT refund can be possible).</li><li>▶ From 1 January 2025, the turnover from the sale of non-agricultural land plots through electronic online auctions will be exempt from VAT.</li><li>▶ Simplification of VAT refund for export operations will be introduced, removing the need to provide the accompanying documents with customs authority's stamps.</li><li>▶ The amount of damage that constitutes grounds for criminal liability for intentional concealment, underreporting of profits (income), or other taxable objects, i.e., intentional tax evasion, will be doubled.</li></ul>	<p>Such new legislative amendments would have wide-ranging consequences which taxpayers will need to consider and prepare for 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

● Compliance    ● Risk management    ● Cash-flow and ETR impact

On 6 August 2024, the President of the Republic of Uzbekistan signed the Decree No. PD-283 to establish the Free Economic Zone 'International Center for Industrial Cooperation 'Central Asia' (the "Center"), pursuant to an agreement with Kazakhstan. This initiative aims to bolster industrial development, competitiveness, and integration into global markets, creating a conducive investment climate in Uzbekistan.

Key provisions of the Decree include:

- ▶ Allocation of 50 hectares of irrigated land in the Syrdarya region for the Center, designated for industrial and other specified uses.
- ▶ The Center is set to operate for 30 years, with the possibility of extension.
- ▶ Focus on producing import-substituting goods, adhering to Uzbekistan's legislative requirements.
- ▶ Marketing of products made exclusively in Uzbekistan and Kazakhstan within the Center, monitored via a production certificate.
- ▶ Participants will enjoy certain tax and customs privileges akin to those in other Free Economic Zones.

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However, the Decree lacks clarity on the specific tax and customs privileges to be granted. Current benefits for Free Economic Zone participants in Uzbekistan, as per existing legislation, include:

- ▶ Tax exemptions for certain taxes (property, land, water use tax) based on investment amounts, ranging from 3 to 10 years.
- ▶ Corporate income tax exemptions also scaled to investment size, from 3 to 10 years.
- ▶ Exemptions from customs payments (excluding customs clearance fees) for certain imported construction materials, technological equipment, and raw materials for export production.
- ▶ VAT payment deferral for imported goods up to 120 days.
- ▶ Simplified VAT refund within seven days.

The Decree does not direct relevant ministries to amend legislation to reflect these new provisions, leaving some uncertainty. It is anticipated that the specifics of the tax and customs privileges for the Center's participants will become clearer as projects within the zone commence.

Businesses may take into account the tax and customs benefits while considering investment opportunities in special economic zones.



On 12 August 2024, the President of the Republic of Uzbekistan directed the Tax Committee to remove barriers to fully utilizing tax benefits for solar panel installation, aiming to enhance access to energy-saving equipment for citizens and businesses.

Incentives established by the Tax Code:

- ▶ Renewable electricity producers are exempt from property tax imposed on legal entities for renewable energy installations (with a nominal capacity of 0.1 MW and above) for ten years from the date of their commissioning;
- ▶ Renewable electricity producers are exempt from land tax imposed on legal entities for land plots occupied by renewable energy installations (with a nominal capacity of 0.1 MW and above) for ten years from the date of their commissioning;
- ▶ Revenues from the sale of "green energy" certificates of generation facilities based on the use of renewable energy are exempt from corporate income tax;
- ▶ Property owned by individuals using renewable energy sources in residential premises with complete disconnection from existing energy resource networks is exempt from personal property tax for three years starting from the month in which the renewable energy sources were installed;
- ▶ Individuals using renewable energy sources in residential premises with complete disconnection from existing energy resource networks are exempt from land tax for individuals for three years.

Citizens and businesses using energy from renewable sources should pay closer attention to the upcoming legislative changes which may allow them to benefit from relevant tax incentives.

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Also, some incentives are indicated in Presidential Decree No. PP-57 of 16 February 2023 but are not reflected in the Tax Code: namely, those persons who have installed and use renewable energy installations with a total capacity of up to 0.1 MW are exempt for three years from the day such installations are commissioned:

- ▶ From property tax for legal entities for these installations;
- ▶ From land tax for legal entities for land plots occupied by standalone installations;
- ▶ From corporate income tax on profits derived from the sale of electricity to the power grid;
- ▶ From property tax and land tax for individuals for real estate objects of the housing properties owned by them.

Currently, there is no clarity regarding which specific restrictions the instruction of the President addressed. In any case, the deadline for the instruction to remove restrictions was set for the end of August, and specific tax changes which await renewable electricity producers should become publicly available soon.

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