



Tax alert

Main changes in August

Overview of the key changes in tax and currency law between May and August 2017

In this alert, we provide a brief outline of the main changes made to tax and currency law over the summer.

Change to the Central Bank Refinancing Rate and new banknote

On 28 June 2017, the Board of the Central Bank decided to raise the refinancing rate from 9% to 14% to curb inflation. A minimum interest taxation rate was introduced this year which is equal to the Central Bank rate for interest-free loans or those with rates lower than the established rate.

The Central Bank also announced the issue of a new 50,000 Sum banknote in the middle of August.

Foreign exchange regulation

At the end of June, Cabinet of Ministers Decree No. 449 introduced a "market rate" for banks to sell foreign currency. However, the decree does not provide a definition for "market exchange rate."

The country's development programme adopted at the beginning of the year includes plans for the further liberalisation of the foreign exchange market and its further regulation by exclusively market-based instruments.

In addition, discussions on a draft presidential resolution regulating future monetary policy that were started in December 2016 have been completed. The resulting document will define measures to

create a market exchange rate and liberalise the currency.

To aid liberalisation of the foreign exchange market, the President signed Decree No. PP-3157 dated 28 July 2017 providing exporters a full exemption from the mandatory sale of foreign currency revenue from their exports. Previously, the mandatory rate for exporters of own products and services had been reduced to 25%.

Tax reforms

A tax system reform programme has been approved by Presidential Decree No. R-4999 dated 20 July 2017, which will make it possible to create an expert commission to ensure further improvements in the tax system. From early 2018, the programme will focus on developing tax holidays, tax monitoring and a system for analysing tax violation-related risks.

Pharmaceutical free economic zones

The president signed Decree No. UP-5032 on 3 May 2017 to set up the Nukus Pharm; Zomin Pharm; Kosonsoy Pharm; Sirdaryo Pharm; Boysun Pharm; Bustonlik Pharm and Parkent Pharm 30-year pharmaceutical free economic zones.

Companies operating in the new zones are exempt from land tax, property tax, profit tax, social infrastructure development tax and others. The Decree also provides special currency regimes for eligible companies.

Small industrial zones

In Decree No. PP-2860 the president has created the Yangier small industrial zone in Syrdarya Region for a period of 30 years.

Manufacturing businesses in the zone will be exempt from unified tax and customs duties for three years. The tax breaks come into effect if a company invests at least 2,000 times the minimum wage (~ US\$ 75,000) and annual income exceeds 1,000 times the minimum wage (~ US\$ 32,500). If goods imported with customs breaks are sold or transferred free of charge within three years of their import, all tax breaks will be cancelled and customs duties will be levied in accordance with the general conditions.

In May, the president signed Decree No. PP-2973 establishing five small industrial zones in Tashkent. Another 17 small industrial zones were created in Tashkent Region in August by Presidential Resolution No. PP-3194.

To be eligible for the two-year income tax, property tax and unified tax exemptions offered by the zones, companies will have to invest at least 3,000 times the minimum wage (~ US\$ 97,500) and generate annual income in excess of 2,000 times the minimum wage (~ US\$ 75,000). Likewise, if exports account for at least 30% of manufactured goods, all benefits will be extended for an additional two years.

Innovative techno parks

In June, the government created the Yashnabad techno-park, which will focus on promoting innovative chemical technology, biotechnology and material processing technology, and the Mirzo Ulugbek Innovation Centre, which will focus on innovative IT technology.

Techno-park residents will be exempt from:

- land tax, profit tax, corporate property tax, tax to improve and develop social infrastructure, unified tax and mandatory contributions
- customs fees on equipment, raw materials, materials, reagents, components and building materials not produced in Uzbekistan and imported for own production needs within the framework of innovative projects

To become eligible for techno park residency, applicants should submit innovative plans to the techno-park administration, which will then be considered.

Samarkand city zone

At the end of June 2017, the government approved a programme to develop the tourism potential of the city of Samarkand and the surrounding region, which involves the large-scale construction and development of hotel facilities and related services in the new tourist zone. Entrepreneurs and investment companies operating in the zone will be exempt from land tax, profit and infrastructure taxes, unified tax and school and road fund contributions. They will also be exempt from customs payments on equipment, raw materials, components, construction materials and other materials not produced in Uzbekistan and imported for own needs.

How to contact us

Tashkent

Deloitte & Touche Audit organization
LLC
Mustakillik Avenue 75, Tashkent,
100000
Republic of Uzbekistan
Tel: +998 (71) 120 44 45/46
Fax: +998 (71) 120 44 47

Vladimir Kononenko

Partner, Tax & Legal
Tel: +7 (727) 258 13 40 ext. 2755
vkononenko@deloitte.kz

Andrey Tyo

Manager, Tax & Legal
Tel: +998 (71) 120 44 45/46
antyo@deloitte.uz

Bakhtiyor Sufiev

Senior tax consultant, Tax & Legal
Tel: +998 (71) 120 44 45/46
bsufiev@deloitte.uz

deloitte.uz

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500[®] companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 244,000 professionals make an impact that matters, please connect with us on [Facebook](#), [LinkedIn](#), or [Twitter](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.