



Tax Alert

Key changes in October

At the end of October 2016, the President signed decree № 4853 On Additional Measures to stimulate and expand the Activity of Free Economic Zones (the "Decree").

This tax alert discusses the most significant changes to the Decree.

Standardisation of terms and benefits

Uzbekistan has set up three free economic zones — "Navoi", "Angren" and "Jizzakh". The document provides for the standardisation of investment incentives for all three Free Economic Zones. For example, they are exempt from:

- land tax
- income tax
- tax on the property of legal entities
- tax to improve and develop social infrastructure
- unified tax payment for micro and small enterprises
- obligatory contributions to the National Road Fund and non-budget fund to upgrade, refurbish and equip schools, professional colleges, academic lyceums and medical institutions under the Ministry of Finance
- customs duties (except for customs clearance fees) on equipment, raw materials and components imported for own production needs; construction materials not produced in Uzbekistan and imported to implement projects on a list approved by the Cabinet of Ministers

If equipment, raw materials and components imported inclusive of customs concessions are sold or donated within three years of their import date, customs duties are levied in full in accordance.

Entities operating in Free Economic Zones are:

- exempt for the period a free economic zone is in operation from customs payments (except customs clearance fees) on imported raw materials and components for products to be exported
- entitled to make payments in free economic zones in foreign currency in accordance with concluded agreements and contracts
- entitled to pay in foreign currency for the goods or work (services) of other resident economic entities, and use convenient terms and forms of payments for exported and imported goods
- These benefits are provided based on the volume of foreign investments:
 - between US\$ 300 thousand and US\$ 3 million — for 3 years
 - between US\$ 3 million and US\$ 5 million — for 5 years
 - between US\$ 5 million and US\$ 10 million — for 7 years
 - US\$ 10 million and above — for 10 years, with a 50% reduction in income tax and single tax over the next 5 years.

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

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