



**Tax incentives for foreign
investments in Uzbekistan**

In this document, we present a brief overview of tax and customs concessions applicable to foreign investment in Uzbekistan.

However, as the taxation system in Uzbekistan is subject to frequent changes, we recommend using this overview for general purposes only. Having said that, we will be glad to discuss any tax-related issues you may have in more detail.

Foreign investments

To promote direct investment, Uzbekistan provides wide-ranging tax and customs relief to specific industries or sectors, or to companies registered in one of the many free economic zones. Deloitte helps investors choose the best business model for operations in Uzbekistan and analyse the best options for business development.

Investment in specific industries

Presidential Edict № УП-3594 dated 11 April 2005 provides tax relief to production companies in the chemical and petro-chemical, engineering, light, food, alternative energy and other industries.

Eligible companies are exempt from:

- corporate profits tax;
- property tax;
- tax on improvements and the development of social infrastructure;
- obligatory contributions to the National Road Fund;
- integrated tax payments for micro-firms and small businesses;

The tax relief in question is dependent on investment amounts and applies for between 3 and 7 years, provided:

1. the companies in question are represented in all towns and rural areas of the country, except for Tashkent and Tashkent Oblast;

2. foreign investors make private direct investments without state grants;
3. foreign partner interest in share capital is at least 33%;
4. foreign investments are made in freely convertible currency or in the form of new and modern production equipment;
5. at least 50% of income generated as a result of relief is reinvested in further company development.

Investment in specific economic zones

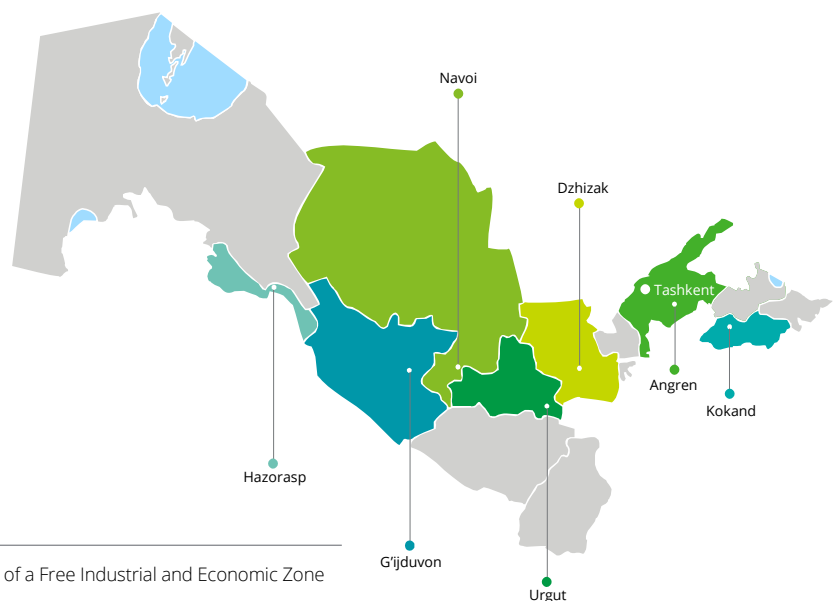
The government has created a number of free economic zones in Navoi, Angren, Dzhizak, Urgut, G'ijduvon, Kokand and Hazorasp to aid the development of those regions.

The duration of land tax, property tax, corporate profits tax and tax on improvements and social infrastructure development relief is based on the value of each company's foreign investment.

As an additional stimulus, special foreign currency payment rules have been introduced for companies registered in the above zones.

Likewise, eligible companies are entitled not to apply tax law provisions that worsen their tax position.

In addition to the general concessions applicable in all zones, the zones are entitled to introduce concessions specific to them.



¹Presidential Edict №УП-4059 dated 2 December 2008 On the Creation of a Free Industrial and Economic Zone in Navoi Oblast

Presidential Edict №УП-4436 dated 13 April 2012 On the Creation of the Angren Special Industrial Zone

Presidential Edict №УП-4516 dated 18 March 2013 On the Creation of the Dzhizak Special Industrial Zone

Presidential Edict № УП-4853 dated 26 October 2016 On Additional Measures to stimulate and expand Free Economic Zone Activities

Presidential Edict dated 12 January 2017 On the Creation of the Urgut, G'ijduvon, "Kokand and Hazorasp Free Economic Zones

Pharmaceutical industry investment

Presidential Edict № УП-5032 dated 3 May 2017 provides special pharmaceutical industry tax relief to aid the development of specific regions in Uzbekistan, at the Nukus, Zomin, Kosonsoy, Sirdaryo, Boysun and Bostonlik pharmaceutical free economic zones, which are due to be in operation for at least 30 years.

Subject to the value of their foreign investment, companies operating in the above free economic zones are eligible for relief on land tax, property tax, corporate profits tax, tax on social infrastructure improvements and others.

As an additional stimulus, in addition to general concessions applicable in all free economic zones, the government has introduced special rules easing restrictions on foreign currency payments for companies registered in them and introduced tax stability provisions.

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.

Other special benefits and zones

Concessions for businesses operating in Karakalpakstan and Khorezm region

Presidential Decree No. PP-2843 from 17 March 2017 provides a number of currency regulation and tax breaks to companies registered and operating in Karakalpakstan and Khorezm region, such as:

- exemptions from the mandatory sale of foreign currency earnings on exports of industrial products of own production, except for commodities
- exemptions from property tax, land tax, social infrastructure tax and road fund contributions for companies producing pharmaceutical products and preparations, electrical products (except cables and wires), and finishing building materials between 1 April 2017 and 1 January 2018.

Small industrial zones

In Decree No. PP-2860 the president has created the Yangier small industrial zone in Syrdarya Oblast 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 Oblast 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.

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.

At your request, we can prepare more detailed information on current tax and customs concessions, registration conditions and foreign company operations in Uzbekistan for specific companies and activities.

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