



Tax alert

Key changes

Overview of major changes in tax legislation in January 2018

On 17 January 2018, the President issued Decree No. UP-5303 *On Measures to Further ensure National Food Security*, which:

- cancels specific customs, tax and other benefits granted to a number of entities to import food products into Uzbekistan from 1 February 2018
- reverses the ban on the sale (purchase) of consumer goods on national commodity and raw stock exchanges
- exempts sugar producers from VAT on sugar produced from imported raw materials until 1 January 2019
- abolishes the license requirement for the wholesale electronic trading in consumer goods on commodity exchanges
- abolishes the requirement for a statutory fund of 3,500 times the minimum wage, of which 1,200 times the minimum wage had to be in cash, when obtaining a wholesale trading license
- live cattle, sheep and goats, meat and sugar (as listed in the Appendix to the Decree) are exempt from customs payments (except for customs clearance fees) until 1 January 2019
- develops proposals to streamline customs rates and procedures, and transition to "one-stop-shop" for export-import transactions

The President signed a Resolution on 23 January 2018 outlining measures to further streamline the production and import of medicines and medical products. The document regulates VAT exemptions on medicine imports. Specifically, it clarifies the meaning of "the production of

Key changes

medicines" and "full and incomplete cycle medicines" and "bulk products" and "domestic production products."

It also establishes that:

- VAT benefits will not apply from 15 April 2018 to "bulk" imports of medicines and medical products if there is a registered similar domestic product produced according to a full or incomplete technological cycle
- VAT concessions will remain until 1 January 2019 for companies producing medicines and medical products "in bulk", in the absence of registered similar domestic products

The President has issued Decree No.UP-5308 outlining a state programme to implement an action plan for five priority development areas in Uzbekistan for 2017-2021 as part of the "Year of Support for Active Business, Innovative Ideas and Technology," which includes:

- introducing a two-year moratorium on inspections of corporate financial and economic activities, with the exception of inspections conducted in criminal cases and in connection with the liquidation of a legal entity
- after 1 April 2018:
 - abolishing the National Council for the Coordination of Regulatory Authority Activities
 - audits of financial and economic activities conducted within the framework of criminal cases should not exceed one month, in exceptional cases, the audit period may be extended for no more than one month by the General Prosecutor or a deputy
 - criminal cases related to entrepreneurial activity will be instigated exclusively with the consent of prosecutors for the

Republic of Karakalpakstan, the provinces, the city of Tashkent and equivalents

- exempting the following from taxes and compulsory payments, with the exception of the single social payment, until 1 January 2023:
 - venture funds created to co-finance high-tech entrepreneurial start-up projects
 - high-tech start-up projects co-financed by venture funds
 - research institutions, innovation centres and design bureaus on income generated by entrepreneurs' sale (transfer for use) of their own innovations
 - organisations transferring new technology to domestic entrepreneurship on their income from said activities
- abolishing the ban on employing individuals with no temporary or permanent residence permits or registration at their place of stay, and employer liability for employing individuals without temporary or permanent residence permits or registration in their place of residence

Concepts such as "subsistence minimum" and "consumer basket" have been introduced within the framework of the approved 2018 state programme to implement national development strategy for 2017-2021 and to further improve social welfare in Uzbekistan.

The subsistence minimum is the amount considered sufficient to ensure the normal functioning of the human body and preserve health, a set of food products, and a minimum set of non-food items and services needed to meet basic social and cultural needs.

The consumer basket is an estimate of the range of goods characterising the typical level and structure of a person or family's monthly (annual) consumption. The plan is for these concepts to be introduced into law, and specific criteria to be created to calculate the "subsistence minimum" and "consumer basket."

The Decree also stipulates reducing the tax burden, simplifying the taxation system, improving tax and customs administration, expanding incentives, and abolishing the practice of granting individual benefits for tax and customs payments. It also provides guidance on how to establish a performance assessment system and monitor the granting of benefits.

The President has issued Resolution No. ПП-3487 dated 22 January 2018 outlining measures to support the activities of strategic entities and enterprises, whereby entities such as NMMC, AGMK, Uzbekneftegaz, Uzbekenergo, Uzbekhydroenergo, Uzkimyosanoat, Uzbekistan Temir Yullari, Uzbekugol, Uzbekiston Havo Yullari, Uzbektelecom, National Energy Saving Company and Uzavtosanoat, as well as their subsidiaries, are entitled to purchase equipment, raw materials, spare parts and accessories, as well as work and services for current operations according to the best offer, regardless of the contract amount. Purchase contracts in excess of the equivalent of US\$ 50 thousand are subject to mandatory agreement and subsequent registration with the Centre for Comprehensive Project and Import Contract Reviews. These requirements do not apply to state development programme procurement or contracts financed by the Uzbekistan Reconstruction and Development Fund and loans secured by state guarantees.

Key changes

Law No. ZRU-460 dated 22 January 2018 approves a new version of the Civil Procedure Code, which came into effect on 1 April 2018.

On 24 January 2018 Law No. ZRU-461 approved the Uzbekistan Economic Procedural Code, which entered into force on 1 April 2018. The Code was delayed to give judges, other legal professionals and citizens the opportunity to familiarise themselves with the new legal proceeding format. The documents continue reforms in the judicial sphere, merging the Supreme and Supreme Economic Courts, and transforming economic courts into economic courts. They also create new administrative courts. All changes required the drafting of three codes: the Civil Procedure Code (new version), the Economic Procedural Code and the Administrative Procedural Code.

The Cabinet of Ministers in its Resolution No. 29 dated 16 January 2013 approved guidelines on the procedure for selecting investment projects in free economic zones and registering free economic zone (SEZ) participants, and guidelines on the procedure for granting land plots to SEZ participants. According to the document, the mandatory criteria for placing investment projects in a SEZ is to create import-substituting and high-tech industries, while exports after the start of production activities should account for at least 20% and 30% in subsequent years.

Presidential Decree dated 19 January 2018 outlines measures for a Road Map to accelerate the development the fat and oil industry. The document provides for the expansion of the resource base for fat and oil production and equipment upgrade at fat-and-oil industry enterprises. Vegetable oil producers will be exempt from value added tax on

output produced from imported oilseed until 1 January 2019.

Presidential Decree No. PP-3479 dated 17 January 2018 outlining measures to ensure sectors of the national economy are supplied with in-demand products and raw materials has changed the procedure for issuing licenses for the right to use subsoil plots containing non-metallic minerals. Licenses will be issued by the State Geology Committee. A minimum statutory fee has been introduced for applicants of 500 times the minimum wage. The updated licensing procedure should be developed within a month. The decree also stipulates customs concession (except for customs clearance fees) until 1 January 2019 for imports of cement, asbestos, building glass, rolled ferrous metals, timber, lumber and coal.

On 12 October 2018, the President signed Resolution No. ПП-3472 outlining measures for the further development of the national silk industry, including 5 investment projects to produce raw silk, silk wool, silk fabric and finished products. The projects will be financed through concessional commercial bank loans. Uzbekpaxanoat association members will be eligible for exemptions on customs payments (with the exception of customs clearance fees) on imported equipment, machinery, raw materials and materials; land tax exemptions on mulberry plantations until 1 January 2023 (for entities taxed according to the standard system) and single land tax (for entities taxed according to the simplified system).

Presidential Decree No. UP-5296 dated 9 January 2018 outlines measures to improve the performance of the Uzbekistan Central Bank, including priorities

areas. Measures will include monetary and credit policy improvements; statistical, analytical and research base development; improvements in the methods used to form, adopt and implement monetary policy, and banking system regulatory and supervisory mechanisms; further develop payment systems; protect customer rights and interests; strengthen the financial stability of non-bank credit institutions and improve the regulation of their activities. The decree has introduced a number of structural changes to the Central Bank system, for example, a credit committee and banking regulatory committee, a service to protect consumer rights. A number of Central Bank units have been abolished. For commercial banks, the requirement to redeem assets belonging to bankrupt enterprises or loan debtors has been cancelled. Banks are prohibited from participating in the statutory fund of management companies, investment companies and funds, and in non-banking economic entities.

In Resolution No. 60 dated 26 January 2018, the Cabinet of Ministers has approved customs duty exemptions (except for customs clearance fees) until 1 January 2021 for farms using drip irrigation methods on drip irrigation systems and components, rainwater and other irrigation systems, fruit crop, pumping plant seedlings and rootstocks and other components.

In Resolution No. 17 dated 9 January 2018, the Cabinet of Ministers introduced measures to further improve the regulation of the import and export of ozone-depleting substances (OV) and products containing them to and from Uzbekistan.

Key changes

A permit issued by the State Ecology Committee or a territorial division is no longer required to import aerosol products, such as perfumes, cosmetics and toiletries, household paint and varnishes, as well as insulating panels and panels. Permits are required to import or export food and beverage vending machines with built-in cooling devices.

These requirements do not apply to cases where individuals import or export products containing OV for their own use or for non-commercial purposes.

Draft legislative acts

Processes are underway to draft a law *On Law Enforcement Agencies*, which should provide for radical improvements to the law enforcement and supervisory bodies; determine their legal status, their powers and duties based on each agency's specific activities; eliminate the duplication of authority and functions.

How to contact us

Tashkent

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

Anthony Mahon

Partner, Tax & Legal
Tel: +7 (727) 258 13 40 ext. 2756
anmahon@deloitte.kz

Vladimir Kononenko

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

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 264,000 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.