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Tax Guide

Taxation of Foreign Individuals

Tax & Legal
Uzbekistan, 2015

Welcome to Uzbekistan!

Deloitte would like to present this brief overview of the tax and legal issues and procedures applicable to foreign individuals working in Uzbekistan.

Since the Uzbekistan tax system is developing at a quick pace and subject to frequent change, we would recommend that you use this brochure for general guidance purposes only and contact us to discuss any situation questions you may have.

For your convenience the guide is presented in a Frequently Asked Questions format.

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Frequently Asked Questions

Arrival, Registration and Work Permits

Question: Do I need to notify the migration authorities upon arrival?

Answer: Yes, you should notify the local migration authorities within three calendar days of crossing the Uzbekistan state border by having your passport registered with the migration authorities in your place of permanent or temporary residence.

Registration with the migration authorities may not exceed the validity of your passport or your Uzbekistan visa.

Foreign individuals holding a work permit will be registered for the period of duration of their work permit after prolongation of working visa.

Question: Can I work in Uzbekistan on a business visa?

Answer: No. Under Uzbekistan law, business visas are issued to those foreign nationals intending to visit Uzbekistan:

- on business trip
- to hold business negotiations, conclude contracts, and provide consulting and audit services

In the vast majority of cases, foreign nationals are only entitled to work in Uzbekistan if they hold a working visa (which is linked to a work permit). The employees need to have a work visa in order to be employed in Uzbekistan.

A foreign national's failure to comply with the conditions of an issued visa will result in an administrative fine on the individual in question and the inviting, with possible deportation from Uzbekistan.

Question: Do I require a work permit to work in Uzbekistan? If yes, what is timeframe involved in applying for one?

Answer: Generally, yes.

The employees must obtain work permits before applying for the work visa. The procedure normally takes approximately 1-2 months.

The head of representative offices of foreign legal entities registered in Uzbekistan are also exempt from having to receive a work permit. However there is requirement of accreditation card and it takes about 15 days.

All other foreign individuals wishing to work in Uzbekistan require a work permit.

Question: What are the consequences for foreign nationals of violating work permit rules?

Answer: Violations of the rules for hiring foreign nationals and for working illegally in Uzbekistan will be subject to the following administrative fines:

- MW 50-100 (~ US\$ 2500-5000) on individuals or departure of foreign individual
- MW 20-150 (~ US\$ 1000-7500) on officials

Consequences of Tax Evasion

Any violation of tax law entails administrative fines in accordance with the Administrative Offences' Code. Late registration with the tax authorities is subject to an administrative fine of 1-3 times the Minimum Wage (~US\$ 50–150).

In accordance with Tax Code tax evasion in registering with the tax authorities is not more than 30 days, the fines will be 50 MW (~US\$ 2,500), but not less than 10% from the total income. If the delay in registering with the tax authorities is more than 30 days, the fines will be 100 MW (~US\$ 5,000), but not less than 50% from the income.

Residency Status

Question: What are the tax residency rules in Uzbekistan?

Answer: A foreign individual is considered a Uzbekistan tax resident if he/she permanently resides in Uzbekistan.

An individual is deemed as permanently residing in Uzbekistan for the current tax year if their presence in the country exceeded 183 calendar days (including both arrival and departure days) in any consecutive 12-month period ending in the current tax year.

This rule is used to determine an individual's residency status and tax base, whether a tax return needs to be filed and the relevant individual income tax rate.

In addition, if an individual is deemed to be simultaneously a tax resident of Uzbekistan and a treaty country (a country with which Uzbekistan has entered into a double tax treaty), then residency could be determined based on the treaty's so-called "tie breaker rules", which prevail over domestic tax law. However, to apply treaty provisions, an individual needs to be able to present a residency certificate from their treaty country confirming residency status there.

Filing Requirements

Question: Do I need to file a tax return in Uzbekistan?

Answer: It depends on your residency status and income type.

Individual tax filing obligations arise in Uzbekistan:

a) for residents who

- 1) have received Uzbekistan-source income that is not subject to taxation at the source of payment in Uzbekistan
- 2) have received income from any sources outside of Uzbekistan;

b) for non-residents who

- 1) have received Uzbekistan-source income not subject to taxation at the source of payment in Uzbekistan

Question: Do I have to pay tax in Uzbekistan if I qualify as a tax non-resident?

Answer: Yes, if you are a non-resident who has received any Uzbekistan-source income.

Question: What is Uzbekistan-source income?

Answer: Uzbekistan-source income includes all income received by an individual for work or other activities in Uzbekistan, irrespective of where payment is made.

Tax Rates

Question: At what rate will my income be taxed at?

Answer: Residents are taxed at progressive scale with top marginal rate 23% on all type of income paid in cash or in kind, except for income from rent, which are taxed at 8.5%.

Non-residents are taxed at 20% on their employment income, 10% on dividends and interest and 20% on non-employment/other income.

Tax Year, Filing Deadlines and Tax Forms

Question: What is the tax year in Uzbekistan?

Answer: The tax year is from 1 January until 31 December 31.

Question: When do I need to file a tax return?

Answer: Annual tax return is due by 1 April of the year following the reporting year.

If a foreign individual becomes a tax resident in Uzbekistan prior to 1 April of the current reporting year, he/she should submit a declaration on the income earned during the previous reporting year. For instance, an expatriate has not become tax resident in Uzbekistan as of 31 December 2014 but will become by 1 April 2015, he/she would be required to file the annual tax return for the calendar year 2014 (as non-resident).

When a foreign individual with status of tax resident leaves Uzbekistan for good, it is required submit the declaration at least one month before departure. Although if foreigner leaves Uzbekistan for permanent residence prior to 1 February of 2015, there is no liability for filling tax return for 2015 year.

Question: Are there any penalties for filing a late tax return?

Answer: Yes. The tax authorities may impose a fine for a late tax return from 1-3 Minimum Wage (~US\$ 50 – 150 in December 2014). In addition, the tax authorities require a special administrative violation protocol be signed, otherwise they will not accept a late return.

Question: What form should I use to file my individual income tax return and how do I file it?

Answer: The annual individual income tax return is set in appendix 2 to the Regulation of Ministry of Finance and State Tax Committee №2439 dd 22.03.2013 (and its various appendices, depending on the type of income to be reported).

Returns can be filed in hard copy (paper based) with the tax authorities directly, via registered letter or electronically.

Question: Can spouses file joint returns?

Answer: No, only individual tax returns are possible in Uzbekistan.

Question: In what currency should I report my taxable income?

Answer: Any income received may be reported in one of two ways:

- in the currency in which it was received at the Central Bank of Uzbekistan exchange rate as at the date income was received;
- In UZS.

Tax Payments

Question: How is tax paid in Uzbekistan?

Answer: Individual income tax can be either withheld at the source of payment by the paying entity, if required, or paid by the individual if it is not withheld at the source of payment.

Question: If I need to, how do I pay tax myself?

Answer: Individual income tax not paid at source should be paid in cash or by wire transfer from your personal bank account by 1 June of the year following the reporting tax year.

Question: In what currency do I pay tax?

Answer: Individual income tax can be paid in UZS and any other currencies (only from the bank account in other countries). The payment in UZS can be made via bank account transfer or cash.

Question: Can my employer pay tax on my behalf?

Answer: Individual income tax payments from a corporate bank account are not recommended as the tax authorities can find it hard to allocate them to individuals' personal accounts, which can lead to prolonged negotiations and documentation to prove that your employer is merely acting as an agent on your behalf.

Question: Is interest charged on a late tax payment?

Answer: Yes, interest is charged for each day a payment remains overdue.

Taxable Income

Question: Which income elements are taxable?

Answer: The majority of employment income elements are taxable, including:

- salaries
- bonuses
- living allowances
- overseas premiums
- hardship allowances
- housing allowances
- rest and recreation
- home leave payments
- tax paid or reimbursed by an employer
- stock options
- employer contributions to pension plans

Other income, including:

- foreign bank interest
- dividends, except those not taxable according to the Tax Code
- employer contributions to pension plans
- medical insurance paid by employer

The list is not exhaustive and for proper estimation requires more details.

Non-Taxable Income

Question: What income is non-taxable?

Answer: There are limited types of income that are exempt from tax in Uzbekistan, including:

- business trip allowance within the established norms
- employer obligatory and/or accumulative insurance contributions

- monetary assistance following the death of a close relative (burial) properly and other financial supports documented and within established limits
- payment by employer for medical treatment, provided they have been properly documented
- child alimony

The list is not exhaustive and for proper estimation requires more details.

Tax Deductions

Question: What tax deductions am I entitled to?

Answer: Uzbekistan tax residents can claim the following deductions to reduce taxable income:

- obligatory pension fund contributions
- part of salary (or other taxable income) that is paid for an employee's self-education or education of his/her children under 26 in Uzbek higher education institutions
- long-term life insurance premiums if these are paid to legal entities that have an Uzbek insurance licence

The list is not exhaustive and for proper estimation requires more details.

Social / Pension Contributions

Question: Do I need to make social/pension contributions in Uzbekistan while I am on assignment?

Answer: Not unless you acquire a Uzbekistan residence permit or become a Uzbekistan citizen.

Question: Does my employer make social/pension contributions in Uzbekistan on my behalf?

Answer: Not unless you acquire a Uzbekistan residence permit or become a Uzbekistan citizen.

Double Tax Treaties

Question: Can an expatriate be exempt from Uzbekistan income tax?

Answer: You need to check whether Uzbekistan has entered into a double tax treaty ("DTT") with your home country. If so, you may be exempt from income tax in Uzbekistan, provided certain conditions are met.

Question: How can I claim DTT exemption?

Answer: You may need to file a tax return, and provide the tax authorities with a document issued and certified by the relevant authorities in the treaty country confirming residency status there.

Uzbekistan has DTTs with more than 50 countries and some of them included in the following list:

Austria, Azerbaijan, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Czech Republic, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, India, Iran, Israel, Italy, Indonesia, Japan, Jordan, Kazakhstan, Korea, Kyrgyzstan, Kuwait, Latvia, Lithuania, Luxemburg, Malaysia, Moldova, the Netherlands, Oman, Pakistan, Poland, Romania, Russia, Singapore, Slovakia, Switzerland, Saudi Arabia, Turkey, Turkmenistan, Thailand, Ukraine, United Kingdom, United Arab Emirates, Vietnam.

Question: How can I claim a foreign tax credit in Uzbekistan?

Answer: If you are Uzbekistan tax resident and have paid tax abroad on foreign source income, you can credit it against your Uzbekistan tax liability.

For this, you need to provide an official document that has been certified by the foreign tax authorities and that confirms the amount of tax paid abroad. The documentation should be translated into Uzbek or Russian, and apostilled/legalised.

Question: How can I claim DTT benefits in my home country?

Answer: To claim DTT benefits in your home country you will probably have to obtain a tax residency and/or tax payment certificate from the Uzbekistan tax authorities for non-residents.

The tax authorities will issue Uzbekistan tax residency confirmation based on a written application supported by documents such as passport copies, to confirm physical presence, registration in Uzbekistan and copies of employment contracts.

The tax authorities may also issue confirmation of income received and taxes paid in Uzbekistan following an application, but may also request additional documents.



Contacts

Please do not hesitate to contact us should you require professional tax and legal services. We will be glad to help

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