

Tax and Investment Guide Uzbekistan



This guide has been designed as a basic reference guide to Uzbekistan's tax and legal environment for companies and individuals interested in doing business in Uzbekistan. The information in this manual is not exhaustive. Legislation and interpretation of it change frequently in Uzbekistan and you should seek professional advice relating to your specific circumstances before making business decisions. Deloitte accepts no responsibility for the consequences of acting on the basis of this guide without seeking such advice.

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Foreign investment regulations

General

The Uzbekistan Government has long emphasised the importance of attracting foreign direct investment (FDI) to ensure sustainable economic growth and modernisation through the influx of foreign capital, technology and expertise. The Foreign Investment Law has provided an open and liberal FDI framework, including guarantees of national treatment, non-expropriation, the free repatriation of funds, freedom of monetary transactions, and stability in legal relations, access to open-source information, observance of intellectual property rights and access to international arbitration.

Stability of legislation

The Foreign Investment Law provides protection against adverse changes in investment, tax and customs law for the first 10 years after investment.

If tax law is adversely amended during that period, investors and investment targets are entitled to apply the more favourable tax conditions, including VAT, for 10 years from the registration date and if the total investment amount is more than US\$ 5 million.

National treatment

Investment Law provides national treatment and non-discrimination guarantees for foreign investors. Generally, Uzbekistan does not restrict investment in any sector; however, certain restrictions do exist on the foreign ownership of land and real estate.

In practice, access to markets, credit and other business operations is often impeded by licensing and other regulatory requirements.

Nationalisation/expropriation

The current legal framework protects foreign investment against nationalisation and expropriation. Direct expropriation may take place only in the public interest on a non-discriminatory basis and with the payment of "prompt, adequate and effective" compensation, including lost profits. Compensatory payment must be at fair market value with interest and denominated in freely convertible currency, although no procedures and instruments exist to ensure fair compensation.

Repatriation of profit

Foreign investors are entitled to repatriate profit, whether it be in the form of dividends, interest or other income.

Settlement of disputes

The Investment Law allows foreign investors involved in disputes with the State free access to international arbitration at the International Centre for Settlement of Investment Disputes or an arbitration tribunal established under arbitration procedures of the United Nations Commission for International Trade Law.

Exchange controls

The national currency, Uzbek Soums (UZS) is not freely traded outside of Uzbekistan. Local companies operating in Uzbekistan face restrictions in converting UZS into US\$, particularly when making payments to foreign suppliers.

In addition, all Uzbekistan entities including enterprises with foreign investment (except for small businesses that meet certain criteria and specific exemption criteria), are required to convert 50% of their hard currency revenue receipts into UZS through the domestic foreign exchange market. Conversion should be arranged through a bank authorised to make those sorts of transactions.

Special regulations in place to monitor foreign currency transactions carried out by legal entities and individuals require commercial banks to provide information to the state tax authorities on foreign exchange transactions carried out by their clients that meet a number or specific characteristics.



Type of business presence

General

The majority of businesses in Uzbekistan are organised as limited liability companies, open and closed joint stock companies, partnerships, sole proprietorships, and representative offices of foreign companies. Companies may limit their presence to a permanent establishment (not a legal form and only for tax purposes). The most common types of business presence in Uzbekistan for foreign companies are:

- limited liability companies;
- joint stock companies;
- representative offices;
- permanent establishments.

Limited liability companies

The most flexible company type in Uzbekistan is the limited liability company (LLC). Under current law, the minimum capital requirement for an LLC is 40 times the minimal wage (~US\$ 2,000). In general, owners' equity participation is determined based on their capital contribution, unless otherwise agreed by them.

The main features of a LLC are as follows:

- it may engage in any activity not prohibited by domestic law and, accordingly, may obtain a license to do so when required;
- participants' liability is limited to their contribution to the company;
- it is not required to issue shares; instead participants contribute to charter capital. Participants may contribute by providing assets;
- it is managed through meetings of participants;
- participants elect an executive body (sole or collective);
- participants are entitled to leave the company and receive their share of net assets without the consent of other participants;
- participants enjoy pre-emptive rights to acquire fellow participants' contributions;
- an LLC with one participant may not act as the sole participant of another LLC;
- the number of participants may not exceed 50.

A foreign company may apply for the status of "Company with Foreign Investment" and benefit from additional tax privileges if charter capital exceeds US\$ 150 000 and more than 30% of the company belongs to a foreign company or individual.

Joint stock companies

The minimum charter capital of a joint stock company (JSC) is US\$ 400,000, all of which needs to be paid in. The latest wording of the Joint Stock Companies Law has removed the terms open and closed joint stock companies.

Joint stock companies may have an unlimited number of shareholders. With its elaborate disclosure requirements, the JSC is the only form of legal entity whose shares may be openly traded similar to those of a western "public" company.

The main features of a JSC are:

- it is entitled to engage in any type of activity not prohibited by domestic law and, accordingly, may obtain a license to do so when required;
- it is governed by shareholders through shareholder meetings, which must be held at least once a year;
- one of the responsibilities of shareholder meetings is to elect an executive body (sole or collective).

Representative offices

A foreign company may set up a representative office in Uzbekistan to represent its interests there. Representative offices are not recognised as separate legal entities and may be established for representative purposes only (marketing and information gathering, etc.) and may not out carry business activity. The Ministry of Foreign Relations, Investments and Trade is responsible for registering representative offices.

Permanent establishments

Many foreign companies are involved in upgrade, reconstruction or construction projects in Uzbekistan, and in doing so create permanent establishments for taxation purposes.

The term "Permanent Establishment" in Uzbekistan is recognised as any place through which a non-resident carries out business activities in Uzbekistan, including activities performed through an authorised individual. For instance, the term incorporates:

- business activities that last more than 183 calendar days during any successive 12-month period;
- any place of activity connected with the production of natural resources such as mines, oil and gas wells or quarries;



- any place where activities (including control or supervisory) are associated with oil or gas pipelines; the exploration and (or) exploitation of natural resources; the installation, assembly, commissioning, start-up and (or) maintenance of equipment;
- construction, assembly or installation project sites, and services to monitor work progress at these sites;
- any place where activities related to the operation of slot machines (including consoles), computer networks and communication channels, amusements, transport or other infrastructure activities are performed;
- business activities performed through an entity based on a contract with a non-resident to represent its interests in Uzbekistan, including by acting in Uzbekistan on behalf of the non-resident, and regularly use its authority to conclude contracts on behalf of the non-resident;
- any place whose activities are related to the production, assembly, packaging or sale of goods;
- This list is not exhaustive and it is worth remembering that double taxation treaties/agreements may contain different definitions of "permanent establishment".

The term "permanent establishment" is used solely to determine an organisation's tax status and has no legal value.

Tax law differentiates between registration and further tax execution responsibilities. For example, based on special government resolutions, companies participating in upgrade or renovation projects are entitled to tax and customs concessions. However, this does not exempt companies whose activities fall under the definition of "permanent establishment" from having to register with the authorities. Tax law stipulates significant financial penalties that may affect overall project viability if registration deadlines are missed.

Employment regulations

General

The Labour Code, adopted on 21 December 1995, applies to all employment relationships in Uzbekistan and is mandatory for all employers and employees, including Uzbekistan nationals, foreign nationals, stateless persons and employees of foreign international organisations and legal entities.

Employment agreements

Employment relations are formalised in an employment agreement between employers and employees. Employment agreements should contain specific provisions found in the Labour Code.

Employment agreements may be in place for either an indefinite or fixed term. Indefinite term employment agreements are the default option under the Labour Code while fixed-term agreements may only be concluded if certain legislative requirements are met. Employees are entitled to enter into employment agreements with several employers simultaneously.

The Labour Code also covers the termination of employment agreements. Employees can terminate their employment at any time by giving two weeks' prior written notice to their employer.

Employees should be notified personally at least two months in advance they are to be terminated due to staff redundancies or company liquidation.

Employees should receive compensation of no less than two months' average salary when employment is terminated due to company liquidation, staff redundancies or company reorganisation.

Employment visas and permits

The employment of foreign nationals in Uzbekistan is governed by immigration and labour law.

An entity of a foreign company in Uzbekistan can only employ foreign nationals if:

- the employer has obtained a permit to hire foreign workers;
- the employer has obtained an individual work permit for the foreign national.

In practice, to employ a foreign national, employer should demonstrate a special need for the foreign national that cannot be satisfied by employing Uzbekistan nationals.

An Uzbekistan representative office of a foreign company should obtain special accreditation cards for any foreign nationals it employs.



Taxation

General

Uzbekistan adopts the continental legal system in which Parliament (“Oliy Majlis”) is the sole authority authorised to establish laws. There is no court precedent doctrine in Uzbekistan and, therefore, court decisions tend to be regarded as recommendations only.

A new Tax Code entered into force from 1 January 2008 in an attempt to develop a fairer tax system, ease the tax burden on businesses, simplify tax procedures, encourage saving and investment and promote economic development in the country.

With the adoption of the new Tax Code, the main taxes applicable to investor activity are:

- corporate income tax;
- individual income tax;
- value added tax;
- excise duties;
- property tax;
- obligatory contributions to non-budget funds;
- land tax;
- tax withheld at the source of payment from non-residents’ income;
- other duties and payments.

Corporate income tax and unified tax payments

Residence — An entity is resident in Uzbekistan if it has completed state registration procedures.

Basis — Resident companies are subject to profit tax on their local and worldwide trading income and other taxable income such as interest, royalties and rental income. Profit tax also is levied on the Uzbekistan-source income of non-residents operating through a permanent establishment. Non-commercial organisations are generally exempt from profit tax, except on profit derived from entrepreneurial activities.

The gross revenue of micro-firms and small businesses is subject to simplified (unified) taxation regulations, replacing profit tax, VAT (voluntary), property tax, land tax, social infrastructure development tax, and national road, school development and pension fund contributions.

Mining operations and related processing are subject to mining tax and excess profits tax (for specified items), and special fees (“subscription bonus”, which is a one-off fixed payment for exploration and extraction

rights and a “commercial exploration bonus,” which is payable for each commercial exploration of a location).

Taxable income — Taxable income comprises business and investment income and is calculated as the difference between aggregate income and deductible expenses. In general, expenses incurred wholly and exclusively for business purposes are deductible. For other income sources, expenses may be deducted provided they are incurred wholly and exclusively in the generation of income.

Taxation of dividends — Dividends paid to residents and non-residents with a permanent establishment in Uzbekistan from profit that has been subject to Uzbekistan tax are exempt from profit tax (by way of a deduction from taxable income). Profit tax is not imposed on income derived from state securities.

Capital gains — Capital gains are treated as ordinary income and are subject to the standard profit tax rate. However, a capital gains tax liability arises only when the gain is attributed to the sale of shares for a higher price.

Losses — Losses (which should be based on financial year results) may be carried forward for five years (except for losses incurred while the taxpayer was exempt from profit tax). However, total losses carried forward in each subsequent year may not exceed 50% of taxable income for the current tax period. Losses may not be carried back.

Rate — The general profit tax rate is 7.5%, with a 15% rate applicable to banks. In addition to general profit tax, non-residents with a permanent establishment in Uzbekistan pay net profit tax at 10% on their net income.

The unified tax rate is 6%. However, the rate differs for a number of industries. For example, IT, construction, publishing companies, and industrial enterprises pay 5%, while entertainment companies and companies with lease income (more than 60%) derived from the rent of sales outlets at 30%. Different rates have been set for trading and catering companies. The unified tax rate is lower for companies established in remote regions.

Surtax — No.

Alternative minimum tax — Individual entrepreneurs are subject to alternative minimum tax at rates ranging between 0.04 and 10 times the monthly minimum salary per month, depending on the type of activities.

Foreign tax credits — Foreign profit tax paid by an Uzbekistan resident company may be credited against Uzbekistan profit tax in accordance with an applicable tax treaty. Payment notification, a certificate from foreign tax authorities or other document confirming payment of foreign profit tax is regarded as acceptable proof to receive the credit.

Holding company regime — No.

Incentives — Legal entities engaged in specific activities may be granted a temporary exemption from profit tax, property tax, certain social infrastructure taxes, unified tax payments and obligatory road fund payments. Additionally, companies expanding general production capacity, reconstructing industrial structures, modernising production facilities and equipment, etc., may be eligible to reduce their taxable base by deducting expenses incurred for five years.

Withholding tax

Dividends — Dividends paid to a resident or non-resident are subject to 10% withholding tax. The rate applicable to non-residents may be reduced under a tax treaty.

Interest — Interest paid to a resident or non-resident is subject to 10% withholding tax. The rate applicable to non-residents may be reduced under a tax treaty.

Royalties — Royalties and similar (e.g. lease payments) payments made to a non-resident are taxed at 20%. The rate applicable to non-residents may be reduced under a tax treaty.

Technical service fees — No.

Branch remittance tax — A branch and its head office are treated as independent entities, so any remittance from a branch to the head office is subject to 10% net profit tax.

Others — Non-residents are subject to withholding tax as follows: 10% for insurance, co-insurance and reinsurance premiums; and 6% on payments for international communications services and income from transportation and shipping services.

Withholding tax is applicable regardless of the form of payment, and includes payments in kind, or the mutual offset of buyer and seller liabilities.

Elimination of double taxation — Foreign legal entities need to satisfy Tax Code exemption requirements to claim double tax treaty benefits on

Uzbekistan-sourced income. Non-residents should provide tax residence certificates confirmed by the competent authority in their country of residence to the beneficiary. The rule does not apply to all types of payments.

Permanent establishment and withholding tax

— The Uzbekistan-sourced income of a foreign legal entity (FLE) that is not attributable to a permanent establishment (PE) may be subject to withholding tax at source. For taxation purposes, an Uzbekistan entity or FLE with a registered PE making payments to an FLE without a PE should act as a tax agent. This implies an obligation to withhold tax from Uzbekistan-sourced income, as long as that income is not connected with an Uzbekistan PE. Failure to do so may lead to significant fines.

In addition to the above, withholding tax also applies to capital gains from the sale of immovable property and shares from one foreign entity outside of Uzbekistan to another.

Other corporate taxes

Capital duties — No.

Payroll tax — Micro-firms and small businesses make 15% unified social contributions (to pension, employment and professional trade union funds) based on employee salaries. The rate for other eligible companies is 25%.

Property tax — 4% property tax is levied on a legal entity's fixed assets. Equipment not installed in due time is charged at the double property tax rate.

Social security — Companies pay 1.6% of their gross revenue (in addition to unified social contributions) to employee pension funds. Micro-firms and small businesses subject to general taxation regulations do not make pension, road and school fund contributions (from gross revenue) except those companies producing excisable goods and extracting mineral products.

Stamp duty — Stamp duty is levied on court claims, notary acts, the state registration of legal entities and licenses.

Transfer tax — No.

Others — 8% social infrastructure development tax is levied on an entity's net profit (after corporate profit tax).

The road fund receives both obligatory deductions (calculated at 1.4% of gross revenue quarterly for micro firms and small businesses and monthly for others) and payments (on, for example, the import of vehicles or the use of foreign-registered vehicles).

School development fund payments are calculated quarterly for micro firms and small business at 0.5% of gross revenue.

Anti-avoidance rules

Transfer pricing — The tax authorities may apply market rates to revenue generated from related party transactions.

Thin capitalisation — No.

Controlled foreign companies — No.

Others — The authorities regulate monopolistic activity by listing monopolistic companies, defining anti-monopolistic sectors and monitoring prices.

Disclosure requirements — National Accounting Standards and legislation stipulate specific disclosure rules.

Administration and compliance

Tax year — The calendar year.

Consolidated returns — Consolidated returns are not permitted, generally speaking; each company should file its own return. Banks are required to file consolidated returns. However, bank branches should submit separate returns.

Filing requirements — Resident companies should file quarterly corporate profit tax returns by the 25th of the month following the accounting quarter, and an annual return on/before 15 February of the year following the reporting year. Uzbekistan companies with foreign investment should make quarterly corporate income tax payments of 1/3 of estimated total tax; file an annual return and make a final payment by 25 March after the close of the tax year.

Non-residents with a PE in Uzbekistan should file annual returns by 25 March of the year following the accounting year. If activities cease before the end of the calendar year, all relevant documentation should be filed within one month of that cessation of activity.

Penalties — Fines of 50 to 100 times the monthly minimum salary or 10% to 50% of revenue earned may be imposed for a failure to register. A late or missing

return is punished by an administrative fine (~USD 33-100). Late payment interest is charged at 0.033% for the late payment of a tax liability.

Rulings — No.

Personal taxation

Basis — Resident individuals are taxable on worldwide income; non-residents are taxed on income received in Uzbekistan only.

Residence — Individuals are regarded as resident if they are permanently domiciled in Uzbekistan or physically present in Uzbekistan for at least 183 days in any consecutive 12-month period.

Filing status — Joint filing is not permitted; spouses are taxed separately. Individuals required to file an income tax return should do so by 1 April of the year following the tax year. Total tax due based on a tax return should be paid by 1 June of the following tax year.

Tax returns should be filed with local tax authorities and report all income received during the tax year and specify every item, source, amount and date.

Taxable income — Taxable income includes wages and salaries (including work bonuses, one-off bonuses, annual additional holiday payments and others); benefits such as training, certain childcare services, catering and travel tickets or compensation for them; and "other income" (e.g. awards, prizes, cash awards from competitions, contests and others).

Healthcare benefits, inheritance, insurance premiums and repayments are all non-taxable.

Capital gains — Income derived by an individual from the sale of private property is taxable income.

Deductions and allowances — No.

Rates — Progressive rates from 0% to 23%.

Elimination of double taxation — Uzbekistan has entered into a number of bilateral double tax treaties, which, under certain conditions, enable individuals to avoid taxation of the same income under the tax systems of two countries by applying tax exemptions in one of the countries or reducing tax rates.

Moreover, according to tax law, personal income tax paid in foreign countries may be credited against Uzbekistan PIT, provided that documents confirming taxes paid in a foreign country are shown to the local tax authorities.

Tax paid in a foreign country should not exceed tax calculated on income in accordance with Uzbekistan tax law.

Other taxes on individuals

Capital duty — No.

Stamp duty — Stamp duty is levied on court claims, notary acts, the state registration of legal entities and licenses.

Capital acquisitions tax — No.

Real property tax — Land and property taxes are levied on individuals owning, possessing, renting or otherwise using land, and owning real estate. The taxable base is the area of land. Tax rates are determined regionally, and can vary anywhere between 1.3% and 2.2% of the value of real estate.

Inheritance/estate tax — No.

Net wealth/net worth tax — No.

Social security — Employers should withhold a 7% pension fund contribution a resident employees' gross salaries. Employee are also entitled to make voluntary pension fund contributions.

Administration and compliance

Tax year — Calendar year.

Filing and payment — Employment income and passive income are taxed at source. For other types of income, individuals should file income returns, with income assessed on the basis of that return. The filing date for "declared income" is 1 April and payment is due by 1 June of the year following the calendar year.

Fines — The fine for missing deadlines or not providing a tax return is ~USD33-100. Late payment interest of 0.033% is charged for each day payment remains delayed.

Value added tax

Taxable transactions — VAT is levied on the supply of goods and services and import of goods.

Rates — The standard VAT rate is 20%. Certain services, such as passenger transportation (excluding taxi services); medical, educational, tourist and excursion services; and financial and insurance services are not subject to VAT. Exemptions are in place for certain equipment and items imported under individual agreements with the government. Goods exported

for hard currency; the processing of certain goods for export and international transportation services are subject to zero-rated VAT.

Registration — Micro-firms and small businesses taxed according to the simplified system generally do not pay VAT, although they can opt to register and pay VAT voluntarily. Other legal entities should register with the local tax authorities within 10 days of state registration.

Filing and payment — The reporting period for VAT is the calendar year. Micro-firms and small businesses report and pay VAT quarterly before the 25th day of the month following the reporting period. Other legal entities report on monthly and pay VAT monthly before the 25th day of the month following the reporting period.

Source of tax legislation: Tax Code, Presidential and Cabinet of Ministers Decrees.

Tax treaties: Uzbekistan has entered into 50 tax treaties.

Tax authorities: State Tax Committee, State Customs Committee and the Ministry of Finance.



Customs duties



Customs duties

Customs duties are governed by the Customs Code and the Customs Tariff Law. Import customs duties normally expressed as a percentage of the value of imported goods are known as “ad valorem” duties. Duties expressed as a set monetary amount per unit or kilogram are called “specific” duties. They may also be expressed as the greater of the two, or as “combined” duties.

Several “ad valorem” import duty rates currently apply in Uzbekistan. In the majority of cases, they range from 0%, 5%, 10%, up to 70%. Certain goods are exempt from import customs duties.

Import duty rates depend on the exact nature of the goods being imported. Goods are classified according to the International Harmonised System.

Basic rates are not constant and may vary depending on the country of origin of goods, the type of goods and, occasionally, on other factors.

Import value added tax

20% VAT is levied on the total customs value of imports, which includes customs duties.

Customs clearance fees

A customs clearance fee of 0.2% is levied on customs value as reflected in customs declarations.

Customs value

Customs value is defined as the invoice value, increased by:

- actual transportation, loading, unloading and insurance costs incurred up until the goods cross the Uzbekistan border;
- any commission and/or broker fees paid;
- fees for intellectual property rights to the goods, which must be paid as a condition for their import.

Most favoured nations

Uzbekistan is a member of the CIS and has a number of intergovernmental tariff concession agreements in place. China, USA and a number of other countries have most favoured nation status in Uzbekistan. Reduced import duties may apply to goods manufactured in countries that have entered into free trade agreements with Uzbekistan (e.g. Azerbaijan, Armenia, Belarus, Kazakhstan, Moldova, Tajikistan, Turkmenistan, Kyrgyzstan, and Ukraine). Tariff concessions will be granted if “direct purchase and shipment” rules are followed.

Export customs duties

Export customs duties are introduced seasonally, and are currently levied on some strategic products.

Customs regimes

A number of customs regimes exist that provide for either full or partial exemption from import duties and taxes. For example, full relief may be granted on goods that are imported into Uzbekistan for processing and which are then subsequently exported.

Goods may also be imported under “temporary import” regulations, which provide for either a full or partial exemption from import duties and VAT for two years. Once that period has expired, the goods must either be exported or transferred to a different customs regime.

Customs free zone regulations may be applied in certain Special Economic Zones (SEZ), resulting in exemptions from import duties and taxes on imported raw materials, components, etc. until the processed products are removed from the SEZ.

Tax administration

Overview

The new Tax Code defines the following fundamental principles behind taxation in Uzbekistan:

- tax law in Uzbekistan is based on principles of the integrity, legality, obligation, determinacy and fairness of taxation and the tax system;
- all ambiguities and contradictions in Uzbekistan tax law will be interpreted in favour of the taxpayer;
- tax laws increasing rates or introducing new taxes or sanctions on taxpayers may not be applied retroactively;
- the presumption is that taxpayers act or fail to act within the law and are basically innocent of any infringement, placing the burden of proof on the tax authorities;
- the tax authorities are required to maintain the confidentiality of taxpayer-related information.

The enactment of the new Tax Code has greatly increased taxpayer rights and clearly defined the rights and obligations of the tax authorities, while also strengthening tax officials' responsibility for tax law violations.

Tax audits

According to the Tax Code, the tax authorities are entitled to carry out two main types of tax audits with regard to both individual and corporate taxpayers, namely desk tax audits and field tax audits.

Desk tax audits

Desk tax audits are generally carried out by the tax authorities in their own offices on the basis of tax returns, financial statements and other relevant documentation filed by taxpayers.

Field tax audits

Field tax audits are carried out at a taxpayer's office or business premises at the initiative of the head of the auditing tax body.

A field tax audit may not last more than 10 calendar days, or 30 calendar days for "major taxpayers".

Limitations on tax audits

The Tax Code establishes certain provisions limiting the powers of the tax authorities in relation to tax audits. Field tax audits may be carried out only with respect to the three year period ending on the audit start date. However, the statute of limitation for tax violations is five years from the date a violation took place.

The tax authorities cannot conduct more than one field tax audit within a 12-month period.

Fines and late payment interest

The Tax Code stipulates the following sanctions for tax violations:

- a late payment of taxes is subject to 0.033% interest for each day payment remains in arrears. Total interest may not exceed total unpaid tax;
- the evasion of tax registration, i.e. operating without registering with the tax authorities, is subject to a fine of up to 50% of net revenue for the period.



Special tax regimes



Tax law provides for special tax regimes for:

1. small businesses, which include:
 - the patent special tax regime (for individual entrepreneurs not registered for VAT purposes only);
 - the simplified tax regime, which is based on a single tax payment instead of a number of payments.

2. entities registered in SEZs

The simplified tax regime and the tax contract regime do not apply to financial and insurance institutions, investment funds, market makers and others.

To aid direct foreign investment, Uzbekistan operates a system of tax and customs concessions extending to specific industries or areas, for example, registering a company in an industrial zone. Deloitte helps investors choose the best business model for operations in Uzbekistan and analyses the best options for business development.

Investment in specific industries

Presidential Edict № УП-3594 dated 11 April 2005 provides tax concessions 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 social infrastructure improvements and development;
- obligatory National Road Fund contributions;
- integrated tax payments for micro-firms and small businesses.

The tax concessions in question are awarded based on amounts invested and apply 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 participants' 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 application of concessions is reinvested for further company development.

Investment in specific economic zones

Special concessions have been approved to develop specific regions of Uzbekistan. To that end, the following Special Economic Zones have been created:

- Navoi Free Industrial and Economic Zone;
- Angren Special Industrial Zone;
- Dzhizak Special Industrial Zone.

Companies are entitled to concessions on the following taxes. The duration of those concessions depends on the volume of investment made:

- land tax;
- property tax;
- corporate profits tax;
- social infrastructure improvement and development tax.

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

Companies are entitled not to apply tax law provisions that worsen their tax position.

In addition to general concessions applicable in all zones, special concessions apply in specific zones.

Deloitte in Uzbekistan

Uzbekistan offers ample investment opportunities as a result of its natural resources, growing consumer demand for goods and services, and its skilled workforce.

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