



Tax Alert

Overview of tax legislation changes for October 2019

Overview of the main changes in tax legislation in October 2019

Patronage

The President of the Republic of Uzbekistan signed a law **"on Patronage"** (3PY-571 dated 16 October 2019).

The law provides for such definitions as patron of arts, patronage, recipient of patronage support, patronage support.

The state supports patronage activities by providing incentives and preferences for taxes and other mandatory payment. However, the law does not prescribe the procedure for providing additional benefits for patronage activity.

Liquidation of enterprises

On 22 October 2019, at the meeting of the Legislative Chamber, deputies discussed a draft law aimed at improving the procedure for the liquidation of legal entities.

According to the draft law, a legal entity that has not been carrying out any commercial activities for 9 months will be transferred to the entities at "dormant regime". The dormant period will continue for 3 years. In case such legal entity has not restarted its activity within the provided period, such entity will be removed from the Unified State Registry of the business entities.

The draft law also provides simplification of the mechanism for voluntary liquidation of a business, which will be effective starting from 1 January 2020.

Taxation and customs duties

VAT

According to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan (ПКМ-829 dated 30 September 2019), grain processing companies and producers of pan bread are exempt from VAT until 1 July 2020 for the purposes of their activity on production and sale of pan bread produced from domestic corn.

Commencing from 1 October 2019, this resolution also cancels previously introduced VAT incentives for grain processing companies engaged in the processing of imported corn.

Foreign trade and foreign exchange regulation

Foreign trade operations

Amendments were added into the Regulation "On currency control on export-import operations" (УП-5856 dated 24 October 2019).

Administrative fine up to 70% of accounts receivables will apply for the overdue amounts of receivables on import and export transactions.

Document prescribes that penalties will not be applied if the following conditions are met before the enforcement of the court's decision or within 90 days period after the imposition of the penalty:

- foreign currency was returned to the payer's bank account;
- imported goods went through the customs clearance and received by the importer;
- services have been already provided to payee.

Foreign exchange regulation

From 23 October 2019 a new updated law "On foreign exchange regulation" (ЗР-573 dated 22 October 2019) has entered into force. New law provides for the following:

Non-trade operations

The law updated the list of foreign currency operations of a non-commercial nature between residents of the Republic of Uzbekistan. The list is now exhaustive and also includes the following:

- transfers to the accounts of individuals in Uzbek banks;
- transfers up to UZS 100 million between individuals.

Foreign trade transactions

Changes were introduced in the procedures for repatriation of assets in foreign trade operations. The term "repatriation" is the fulfilment of obligations of a non-resident in part or in full by:

- receipt of cash or goods (work, services) for the obligations of a non-resident;
- termination of a non-resident's obligation by offsetting a counter claim;
- termination of an obligation that existed between the parties, another obligation between the same persons providing for a different subject or method of performance;
- receiving of insurance payment.

Contact us:

If you have any questions on the information in this tax alert, or on any other issues regarding doing business in Uzbekistan, please contact any of the experts listed below.

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