



## Tax alert

### Key changes

#### Overview of changes to tax law in 2017

In December 2016, amendments and additions were made to the following laws and decrees to come into force in 2017:

- Presidential Decree № ПП-2687 from 21 December 2016 *On the Further Development of the Textile, Garment and Knitwear Industry in 2017-2019.*
- Law from № 3PY-417 27 December 2016 *On the Introduction of Amendments and Additions to Certain*

*Legislative Acts in Connection with the Adoption of the Basic Directions of Tax and Budget Policy for 2017.*

- Presidential Decree № ПП-2699 from 27 December 2016 *On Macroeconomic Projections for the 2017 State Budget.*
- Law № ZRU-418 from 30 December 2016 *On the Introduction of Amendments and Additions to Certain Legislative Acts in Connection with the Adoption of the Main Areas of 2017 Tax and Budget Policy.*

#### Important changes to the Tax Code

##### General Part

The amendments abolish counter audits. However, unscheduled audits will be conducted from 2017 in line with decisions of the authorities based on appeals from individuals and legal entities citing statutory violations. The previous wording stipulated unscheduled audits based on information received about tax law violations.

From 1 January 2017, the financial and economic activities of business

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entities, private banks and financial institutions may be subject to unscheduled audits in the event of systematic non-payment of taxes and other obligatory payments during the fiscal year.

Taxpayers are permitted to make use of accumulated concessions within the year after it expires.

The tax authorities are entitled to seize taxpayer assets, even if tax arrears are less than the specified minimum, but has not been repaid within a year of the payment period expiring. The new provision is reflected in articles 59 and 61 of the Tax Code.

### Special Part

#### Profits tax:

The rates for legal entities and credit organisations remain at 7.5% and 15%. In 2017, the mechanism for taxing mobile operators has been kept at 7.5% plus 50% of profit if a profitability threshold is exceeded by 20%.

A minimum rate has been set to tax interest income at the Central Bank rate for interest-free loans or with interest rates lower than the generally established rates.

From 2017, a residency certificate will be sufficient trigger an international treaty in respect of all types of payments. Document issued by the relevant authority in a foreign country should be duly legalised or apostilled.

#### Individual income tax:

Amendments to article 192 of the Tax Code state that if a taxpayer fails to file a personal income return or files incorrect information, the tax authorities are entitled to assess

tax based on information available at the maximum rate and issue notice for the tax amount due. The amount of tax due can only be reduced once the taxpayer has filed a revised declaration.

The personal income tax scale has not changed for 2017. To calculate personal income tax for 2017, the minimum wage is 149,775 soums.

Taxable income	2017
Up to the minimum salary	0%
From 1 to 5 times the minimum salary	7.5% of the amount exceeding the minimum salary
From 5 to 10 times the minimum salary	the tax on 5 times the minimum salary + 17% on any amount exceeding 5 times the minimum salary
From 10 times the minimum salary and above	the tax on 10 times the minimum salary + 23% on any amount exceeding 10 times the minimum salary

#### Unified social payments:

The rates for unified social payments remain unchanged:

- for micro and small businesses — 15%
- for all remaining taxpayers — 25%

The rate for social insurance contributions has increased by 0.5% to 8% for 2017.

#### Unified tax payments:

According to amendments to a number of Tax Code articles (263, 271, 285), taxpayers subject to the general rules that transferred to the simplified taxation system during the period, should file water, property and land tax statements by the 10<sup>th</sup> of the month in which they transitioned to the simplified taxation system.

In addition, headcount is no longer treated as a criterion for categoring a business as a micro or small business.

#### Value added tax (VAT):

Companies making unified tax payments are required to pay VAT on the capital construction of facilities financed by centralised investments, regardless of whether they are payers of VAT or not.

#### Compensation for pollutant emissions

Cabinet of Ministers Resolution N° 15 from 6 February 2006 *On Improvements to the System for making Payments for the Special Use of Natural Resources* has been amended to increase compensation for pollutant emissions into the environment.

#### Preferences and exemptions

The preferences provided by Presidential Decree N° PP-325 from 17 April 2006 for certain services have been extended until 1 January 2020. Previously, the concession applied to insurance, lease, audit, accounting and microlending services.

A number of tax and customs concessions for specific industries

and organisations have been extended until 2020. For instance:

- software developers included in a national register according to Presidential Decree № PP-2042 from 20 September 2013;
- JV MAN Auto-Uzbekistan, according to Cabinet of Ministers Decree № 224 from 7 August 2009;
- the State Geological and Mineral Resources Committee, the Navoi MMC State Enterprise and Almalyk MMC, according to Presidential Decree № PP-1396 from 27 August 2010.

In addition, the concession period for the Samarkand Automobile Plant has been increased from 5 to 8 years.

Presidential Decree № PP-2687 from 21 December 2016 was adopted to aid the development of the textile industry, providing:

- the abolition of the obligatory sale of foreign currency revenue;
- income and property tax, unified tax payment and Republican Road Fund contribution exemptions for micro and small enterprises;
- customs payment exemptions (except customs clearance fees) for imported equipment, components and raw materials not produced in Uzbekistan, including on the basis of commission contracts, used to produce non-food consumer goods, according to a list approved by the Cabinet of Ministers;

- customs duty payment deferrals (except customs clearance fees) for up to 60 days from the date a customs declaration is accepted to import raw materials and accessories to produce own non-food consumer goods not included in the above Cabinet of Ministers list.

Enterprises specialising in the production of non-food consumer goods (cotton fabrics, blended fabrics, silk fabrics (except satin), garments, clothes (sewing, knitwear and leather goods), and so forth) are those whose revenue from the production of these goods accounts for at least 60% of total sales by the end of the reporting period.

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