Special edition
December 2017

Special Tax alert

Legislative changes in Q4 of 2017

Review of special changes to currency and tax law in Q4 of 2017

Over the past few months, Uzbekistan has adopted a number of documents affecting currency regulation, customs and taxation, the majority of which have been adopted as a continuation of the September monetary liberalisation exercise.

Currency legislation

In October, the Cabinet of Ministers adopted Resolution No. 810 dated 9 October 2017 outlining state duties, fines and penalties, and minimum charter capital requirements in Soum.

On 3 November, the President signed a Decree regulating the licensing of the export and import of specific goods, and the registration of export and review of import contracts. From 10 November 2017:

- the Cabinet of Ministers took over export and import licensing functions from the Ministry of Foreign Trade. At the same time, jewellery, precious metals, precious stones and their products have been removed from the list of licensed goods
- the State Investment Committee will be responsible for reviewing direct import contracts and tender documents, and also for evaluating tender bids of over US$ 100,000 to be financed by the state budget, the Reconstruction and Development Fund, loans and credit raised by the government, under government guarantee, or by entities with a 50% or larger state charter capital share
- the Ministry of Foreign Trade will be responsible for registering export contracts (other than stock exchange contracts) concluded based on government decisions and intergovernmental treaties; to export goods (work or services) according to an approved list

The Central Bank, together with the Ministry of Finance and State Tax Committee, have amended the guidelines for accepting foreign currency cash in Uzbekistan. Specifically, foreign currency cash cannot be used to pay for:

- air tickets sold by airlines and their agents
- customs fees
- tourist services provided to Uzbekistan nationals by overseas partners via domestic travel agencies
- self-produced export goods, work or services produced by small businesses for export
- transportation and charter (freight) services provided by freight forwarders, cargo hauliers and freight vendors to individuals during transit, export or import operations
- bank commission on foreign currency operations
- hotel accommodation services for foreign nationals or stateless persons without permanent residence

On 23 November 2017, the Board of the Central Bank adopted Resolution No. 2536-1 to supplement the list of capital movement currency transactions to include residents' replenishment of the working capital of their overseas branches. Uzbekistan residents will now have to acquire presidential, government or international treaty approval to make overseas bank transfers for investment purposes in excess of US$ 10,000 or the equivalent to:

- form the charter capital of foreign enterprises (or equity interests)
- replenish the working capital of overseas branches
- provide loans and lease objects to non-residents
- transfer funds from commercial banks in Uzbekistan to overseas bank accounts (deposits), and to purchase real estate

The Board of the Central Bank has amended the Procedure for commercial banks to manage foreign currency accounts (Resolution No. 511-9 dated 23 November 2017). Account holders can now use foreign currency funds to pay dividends. According to the updated procedure, foreign currency funds in the relevant accounts in commercial banks can also be:

- sold through commercial banks in Uzbekistan
- used to pay dividends to founders

In addition, foreign currency funds in bank accounts belonging to individual entrepreneurs that have not created a legal entity can be used to pay for imported goods (work or services).

Customs legislation

The Cabinet of Ministers has approved Regulations outlining the procedure for issuing licenses to export and import goods (Resolution No. 959 dated 1 December 2017) in the list contained in Annex 1 to Presidential Decree No. UP-5215 dated 3 November 2017. The body responsible for issuing, suspending and cancelling licenses is the

Cabinet of Ministers Department responsible for developing foreign trade activity and export potential. Licenses are issued to cover the validity period of supply contracts, but for not more than one year. Previous licenses issued by Ministry for Foreign Economic Relations, Investments and Trade are valid until they expire.

The President has signed Decree No. UP-5276 dated 6 December 2017 to introduce measures for the further simplification of procedures for individuals to import and export foreign currency. From 1 January 2018, the obligation for individuals to declare foreign currency cash when entering or leaving the country has been withdrawn for amounts up to the equivalent of US$ 2,000. Any amounts in excess of US$ 2,000 should be declared in full.

From 1 January 2018, commercial banks have stopped issuing permits to export foreign currency cash from Uzbekistan. Up to the equivalent of US$ 5,000 dollars in cash can now be exported without a permit. The export of anything in excess of US$ 5,000 requires:

- Central Bank permission
- the passenger customs declaration completed upon entering Uzbekistan. Importantly, the amount indicated in the declaration should not be less than the amount being exported

Presidential Decree No. PP-3303 dated 29 September 2017 outlining measures to further streamline the foreign economic activity of Uzbekistan has approved new import customs and excise duties for excisable goods imported into Uzbekistan. Forty-two commodities such as meat, fish, milk, tea, cereals, vegetable oil (except palm oil), animal fats, sugar, baby food, minerals, oil and oil products are now exempt from customs duties. Eight commodity groups, such as meat, flour, butter and a number of other goods, are now exempt from excise duties. The new rates have been in effect since 1 October 2017.

Others:

Extending the customs breaks specified in Presidential Decree No. PP-3082 dated 23 June 2017, Presidential Decree No. PP-3418 dated 30 November 2017 was signed to sustain staple food supplies during the 2017-2018 winter-spring period. With the new rules, so-called socially important food products approved and paid for by the Fund for the Promotion of Domestic Price Stabilisation will be exempt from customs payments (except for customs duties) until 1 January 2019. Initially, the concession was introduced until 1 April 2018.

The Cabinet of Ministers published Resolution No. 864 dated 23 October 2017 adding the issue of e-signatures and key to the list of public services provided exclusively by Integrated Public Service Centres. Previously, they were provided by the local state tax service.

The President issued Resolution No. PP-3386 dated 14 November 2017 outlining measures to improve competition; eradicate conditions enabling abuse and theft in the provision of fuel and energy resources and other highly liquid products; improve payment discipline; and reduce receivables and payables. The resolution's main purpose will be to introduce a phased withdrawal of the state regulation of prices for the main types of highly liquid products and transition to market pricing.

From 1 January 2018, the authorities are no longer authorised to approve maximum product prices, volumes and distribution. A procedure has been introduced for monopoly producers to sell oil products, cement, rolled ferrous metals, copper, cotton fibre and other highly liquid products exclusively through exchanges. The ban on the resale of products purchased on exchanges has been cancelled, except for goods purchased from centralised sources.

Taxation

A 50% reduction in the tax on vehicle gasoline and diesel has been in place since 15 November 2017.

Hydrocarbon raw materials imported by national enterprises, irrespective of their form of ownership and the intended use of the hydrocarbons will be exempt from customs payments and Uznefteproduct refineries from profit tax until 1 January 2020.

The President signed Decree No. UP-5245 dated 20 November 2017 to increase salaries, pensions, scholarships and allowances, by an average of 15% from 1 December 2017.

Monthly salaries have increased to 172,240 Soum. All salary, pension, compensation and other additional payments will be based on the new MWRP value from 1 December 2017.

The monthly old-age pension has risen to 336,880 Soum.

The monthly disablement from childhood allowance is now 336,880 Soum.

Monthly allowances for elderly and disabled people without the required length of service have risen to 206 720 Soum.

The President has signed Decree No. PP-3422 dated 2 December 2017 to improve transportation infrastructure and diversify foreign cargo trade routes for 2018-2022. National hauliers with international routes, and transportation and logistics companies will be exempt from VAT, property tax and land tax until 1 January 2022.

Any tax savings should be used to expand vehicle fleet, upgrade production facilities, create modern warehouse terminals and repay bank loans. The same companies are exempt from customs fees (except for customs clearance fees) for the same period on imported warehouse equipment, unloading machinery, units, spare parts and other goods not produced in Uzbekistan, designed to provide transport and logistics services, according to duly approved list.

The Cabinet of Ministers approved Resolution No. 965 dated 5 December 2017 outlining the procedure to establish and reserve the minimum number of jobs for persons requiring social protection and experiencing difficulties in finding work and unable to compete on the labour market. According to the new rules, organisations of all forms of ownership, employing on average more than 20 people, should reserve jobs for those in need. The total number of reserved workplaces is up to 10% (including at least 3% for disabled people) of the average number of employees. The new version of the documents does not differ greatly from the previous one. Specific positions have been clarified, and a new category covering victims of human trafficking has been introduced.

The President signed a Decree dated 14 December 2017 to aid the accelerated development of the textile, sewing and knitting industries.

Under the Decree, an experiment will be conducted for the 2018 cotton crop, whereby local textile industry businesses will be able to order and advance raw cotton production directly from farms and other agricultural producers, which will replace the procedure for local textile companies to purchase cotton fibre at export prices from a monopoly supplier.

How to contact us

Tashkent

Deloitte & Touche Audit
organization 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