



## Tax alert

### Overview of key legislative changes for June-July 2018

#### Changes in taxation

The State Tax Committee in its Resolution No. 3023 of 18 June 2018 approved Regulations defining criteria for classifying legal entities as major taxpayers.

According to the new document, major taxpayers are those legal entities, according to previous tax period results, whose:

- accrued taxes and other mandatory payments for the previous tax period are at least 200 thousand times the minimum wage ("MW") (currently 34 billion 448 million soums)

- trade turnover is at least 300 thousand MW (currently 51 billion 672 million soums)

- total assets are valued at least 100 thousand MW (currently 17 billion 224 million soums)

In this case, the minimum wage used is the one for the end of the relevant tax period. Major taxpayer classification is carried out on the basis of tax and financial statements submitted to the State Tax Authority.

According to a Presidential Decree from 2 July 2018, salaries, pensions, stipends and allowances will be

increased from 15 July 2013 by an average of 7% to the following minimum amounts:

- minimum wage - 184,300 soums per month
- retirement pensions - 360,460 soums per month
- disability since childhood allowance - 360,460 soums per month
- allowance for elderly and disabled citizens without the required employment record - 221,190 soums per month

According a Presidential Decree from 26 June 2018 introducing measures

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to radically improve state tax authority activities, the State Tax Service is entitled to:

- suspend operations on corporate bank accounts in the event of violations in the provision of financial statements
- collect dividends on the state share and deductions to the state budget from the net profit of state unitary enterprises
- collect tax arrears from individuals' bank accounts in amounts up to 2 MW per month

An electronic VAT administration system is to be introduced to monitor the entire turnover chain to increase tax collection and identify tax evaders.

Taxpayers carrying out transactions with entities registered in offshore zones will also be subject to tighter monitoring.

From 1 October 2018, any tax paid for a third-party taxpayer is not the taxpayer's taxable income. From the same date, taxpayers will be issued with "passports" together with a monitoring report, which will be used as the basis for calculating taxes and other compulsory payments. From 1 January 2019, the tax authorities will be able to use bank turnover information and other external sources to begin calculating single tax payments, single land tax, corporate land tax, and personal income tax on declared income.

Presidential Decree No. PP-3852 dated 13 July 2018 has approved a Roadmap for improving Uzbekistan's ranking in the World Bank and International Finance Corporation's "Doing Business" report, and as such will provide free access to the following information about business entities on the Internet:

- basic corporate details

- company name
- identification number
- registration date
- organisational and legal form
- address (location)
- information about directors and founders, with reference to their share
- the relevant information from the State Register of Rights to Immovable Property and related transactions

In September 2018, legal entities are to be granted the right to open bank accounts remotely during the state registration process.

From October 2018, when registering, commercial organisations will also have to provide the following information:

- a) taxation procedure (generally established taxes or the application of a simplified taxation procedure)
- b) the person acting as the director of a newly created legal entity

Presidential Decree No. PP-3857 from 16 July 2018 has approved a procedure for preparing and implementing projects with international financial institution (IFI) and foreign government financial organisation (FGFO) participation, and organisations providing them with tax and customs breaks. Until 1 July 2021, any IFI/FGFO project will include an exemption for:

- goods (work or services) and vehicles purchased using IFI/FGFO funds - from customs duties (excluding customs charges), value added tax, and fees to state trust funds
- non-resident legal entities - from corporate income tax
- non-resident individuals - from personal income tax

On 1 August 2018, the president signed a Decree introducing measures to radically improve the investment climate in Uzbekistan; changing statutory fund requirements, the minimum foreign investor share, the state registration fee and founder requirements.

For enterprises with foreign investment, the minimum statutory fund share of foreign partners has been reduced from 30% to 15%. In addition, the requirement to have at least one legal entity as the founder of an enterprise with foreign investment has been withdrawn. The new measure will help to expand individual investor opportunities. The minimum statutory fund amount for enterprises with foreign investment will be reduced from 600 million soums to 400 million soums, and the state registration duties for enterprises with foreign investment will be significantly reduced.

## Licensing

The Cabinet of Ministers in Resolution No. 444 from 12 June 2018 has approved a new, simplified licensing procedure for:

- the extraction, processing and sale of oil, gas and gas condensate
- designing, building, operating and repairing main gas pipelines, oil pipelines and petroleum product pipelines
- selling petroleum products

From 1 June 2018, all licenses for certain types oil and gas industry activities will be issued for an unlimited period. The five-year licensing period will be retained for the extraction, processing and sale of oil, gas and gas condensate. Licensing functions will transfer from the Cabinet of Ministers to the

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relevant Uzgosneftegazinspektsiya Commission. The list of documents required to receive a license has been shortened, and the license application review period has been reduced from 30 to 20 days.

The President in Resolution No. PP-3764 from 1 June 2018 has approved measures to further develop the valuation services market, such as abolishing the requirement to form an increased statutory fund for valuation organisations, which can form their authorised capital based on the corresponding organisational and legal form. Valuation activities will no longer be licensed.

Minimum insurance compensation amounts due on a valuation organisation insurance case have been approved as follows:

- the valuation of movable assets, excluding securities, shares, intellectual property and other intangibles – 2,000 MW
- the valuation of immovable property, excluding the enterprise as a property portfolio – 2,500 MW
- business valuation (enterprise as a property portfolio, all types of tangible and intangible assets) – 3,000 MW

### Changes in the banking sector

The Central Bank Board has issued Resolution No. 2364-4 from 16 July 2013 to amend the current bank guarantee procedure for commercial banks to simplify registration and the record of guarantees provided.

To receive a bank guarantee, applicants only now need submit a positive audit report for the last fiscal year instead of the last three years. Banks are also no longer required to form reserves against possible losses on bank guarantees

issued (from 1 to 100% depending on borrower credit status).

The Central Bank has also amended its Regulations for commercial banks to issue bank cards and their circulation in Uzbekistan (No. 1344-5 from 23 July 2013). The plan is to introduce virtual and co-badged bank cards, allowing a number of additional bank and virtual cards to be linked to a single bank account.

It has also amended Regulations for registering and licensing banking activities (No. 2014-13 from 1 August 2013) to introduce a new "digital bank" concept - a bank or structural subdivision that provides banking services remotely using innovative banking technology (without cash services). In addition, to obtain a banking license, bank council chairs and members will no longer have to pass an interview with the Central Bank to determine their compliance with qualification requirements.

### Changes in the tourism sector

Cabinet of Ministers Decree No. 398 from 29 May 2018 has approved measures to simplify immigration procedures for foreign nationals and tourists in Uzbekistan. Foreign nationals and stateless persons may register temporarily for free for up to one month. The procedure for the temporary registration of persons arriving in Uzbekistan for non-commercial private purposes has been regulated. If their period of stay does not exceed 30 days inclusive, foreign nationals can either visit Internal Affairs Departments for registration, or register electronically with the help of an online programme.

In a Decree from 4 July 2018 introducing further measures to ease the entry of foreign nationals into

Uzbekistan, the president has introduced a procedure allowing transit passengers traveling through international airports in Uzbekistan for up to 5 days and foreign nationals under the age of 16 to enter, remain temporarily in and leave Uzbekistan without a visa.

Presidential Decree No. PP-3836 from 4 July 2018 approves regulations for the issue of electronic entry visas and from 1 July 2018 has introduced a pilot system for issuing electronic entry visas, allowing applicants to complete online applications for tourist visas without having to visit overseas diplomatic representations and consulate departments.

### Free economic zones

Presidential Decree No. PP-3774 from 5 June 2018 has introduced measures to expand the activities of the Navoi free economic zone and create 4 small industrial zones in Navoi region. Six small industrial zones will also be created in Namangan region according to a similar Presidential Decree (No. PP-3826 from 2 July 2018). State assets in the small industrial zones will be leased to business entities for 10 years and subsequently transferred to their ownership, provided they have executed all business plans, created and preserved jobs, paid all taxes and other mandatory contributions. Rental rates will be minimal and will depend on the type of activity carried out.

### Changes in customs legislation

The State Customs Committee has issued a resolution (No. 2418-4 from 18 June 2013) amending the procedure for submitting preliminary customs declarations to the customs authorities prior to the actual arrival of imported goods to Uzbekistan,

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and a separate resolution (No. 2773-2 from 25 June 2018) amending instructions for completing cargo customs declarations.

From 1 July 2018, entities with overseas operations are entitled to pre-declare "imports" for release into free circulation directly at border points, and not at customs posts, provided there is no threat in connection with their import.

Legal entities with overseas operations are entitled to submit customs declarations to the customs authorities online without using customs brokers. A process for the preliminary verification of electronic customs declarations through the State Customs Committee's Integrated Automated Information System has also been developed.

In a resolution from 29 June 2013, the President has approved import customs and excise duty rates on excisable goods imported into Uzbekistan. The new rates will come into effect from 1 January 2019. The decree reduces over 45% of import customs duties. Combined rates will also be reduced to a minimum.

The resolution also amends customs clearance procedures by cancelling certificates of compliance for goods imported into Uzbekistan that have received certificates of compliance from accredited OECD member country bodies. Goods that have been held under "customs warehouse" regulations for more than 6 months are not eligible for the customs concessions provided by the President and Cabinet of Ministers.

From 1 September 2018, the State Customs Committee website will introduce an "Integrated Tariff" service, through which users will be able to receive detailed information

free of charge and in real time on all normative documents regulating the movement of goods across the customs border, customs clearance documents, customs duty rates applicable to each product, and the authorities issuing the documents.

## General issues

The President signed a Decree on 20 June 2018 introducing measures to improve the effectiveness of the state registration of medicines and their subsequent circulation. It also abolishes the requirement to sell socially important medicines and medical products at fixed prices. However, these medicines and products, whether imported or purchased from domestic producers, will be sold at regulated prices, applying a limited maximum mark-up for wholesalers of no more than 15% of the purchase price, and 20% of the wholesale price for retailers.

From 1 August, the state registration of medicines carried out in countries with high regulatory requirements will be recognised as valid in Uzbekistan.

Recognition will be:

- based on a differentiation of overseas authorised bodies and international organisations responsible for the state registration of medicinal products not raising any safety, quality and efficiency doubts
- provided permits for the use of medicines whose state registration is recognised in Uzbekistan exist in the medical practice of countries with high regulatory requirements

Eligible medicines will not be examined during state registration in

Uzbekistan to establish their safety, quality and effectiveness.

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