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Recent changes in legislation

In this issue, we have summarised notable recent amendments in the Uzbek legislation

Increase of the minimum monthly wage

In accordance with the Presidential Decree #УП-5553 dated 13 October 2018, effective from 1 November 2018 the minimum monthly wage (MMW) has increased from UZS 184,300 to 202,730. MMW affects, among others, calculation of salaries in public sector, retirement pensions, statutory fines and duties etc.

Central Bank increases refinancing rate

As of 25 September 2018 the Central Bank of Uzbekistan has increased the refinancing rate from 14% to 16%. The increase of refinancing rate is intended to limit potential inflation risks as a result of inflation expectations, increase in regulated prices and growth of exchange rates' pressure on prices.

Trade liberalisation

Presidential Decree #УП-5564 of 30 October 2018 “On measures for further liberalisation of trade and development of competition in commodity markets” (Decree 5564) introduces changes to trade regulations in Uzbekistan with the aim to support competition, improve efficiency and reduce cost for entrepreneurs.

Effective 1 January 2019 the Decree 5564 abolishes, without limitation:

- licensing requirement to carry out wholesale activity as well as special tax regime for trading companies;
- special method for recording revenue from sale of certain types of excisable goods (i.e. cars, flour, etc.);
- requirement for obtaining a permit for mobile trade;
- sanctions charged on entities with state share less than 50% for overdue accounts receivable from transactions with counterparties;
- requirement on 15% prepayment on the domestic market for transactions with entities with state share less than 50%;
- restrictions on export of certain types of goods, e.g. pork, flour, sugar, ore and concentrate.

Moreover, effective 1 November 2018:

- Commodity exchanges will have a right to establish subsidiaries that will be involved in warehousing and logistics for goods sold at the exchange, as well as for development and implementation of information and communication technologies.
- Imported highly liquid products, raw materials and materials (e.g. cement, diesel, sugar, coal, and polyethylene) can be sold without any restrictions at the domestic market at the discretion of their owners, including via commodity exchanges (previously, those could only be sold via commodity exchanges).
- Legal entities and individual entrepreneurs are allowed to make settlements using corporate cards without conclusion of sales contract but with formalisation of tax invoice.
- Requirements for turning-in cash revenues to the bank has been eased. For instance, enterprises are now allowed to turn-in cash directly to servicing bank (previously, this could only be done through special cash collection agency).

Decree 5564 also envisages that export of goods by all legal entities and individuals via Internet in the amount of up to USD 5,000 per invoice can be performed without formalisation of contracts, registration of transaction in the special import-export contracts registration system.

Decree 5564 also allows individuals to export goods from Uzbekistan for an amount up to USD 5,000 without formalisation of customs declaration (previous threshold was USD 3,000).

Registration and pricing of medicines

Presidential Decree #УП-5460 of 20 June 2018:

- abolishes the requirement on sale of socially significant medicines and medical devices at fixed prices, and
- provides that medicines registered in countries with high regulatory requirements are relieved from state registration in Uzbekistan, i.e. will not be examined for safety, quality and efficiency.

Further to the above Decree, Presidential Resolution #ПП-3948 of 24 September 2018 (Resolution 3948) provides a list of specific countries that shall be treated as ‘countries with high regulatory requirements’, including Belgium, UK, Germany, Israel, Korea, Netherlands, USA, France, Switzerland, Canada, Denmark, Slovenia, Japan and others (i.e. 20 countries in total). The Resolution 3948 also envisages recognition of drug registrations of the European Medicines Agency.

New customs duties and excise tax rates

Presidential Resolution #ПП-3818 of 29 June 2018 “On measures for further improvement of foreign economic activity and modernisation of customs-tariff regulation of the Republic of Uzbekistan” (Resolution 3818) defines main principles for further improvement of customs and tariff regulation as follows:

- strengthening the regulatory function of customs tariffs, based on the priorities of the development of economic sectors aimed at harmonious integration into global value chains;
- improvement of the system of tariff regulation of foreign economic activity, with consideration of the best foreign practice, international principles and norms;
- ensuring that local producers of export-oriented products have sufficient supply of raw materials and materials that are not produced in Uzbekistan or produced in insufficient quantities;
- preservation of favourable conditions for import of modern technological equipment to further intensify modernisation and re-equipment of domestic production, accelerated implementation of infrastructure projects;
- unification of rates of customs payments for similar goods to avoid intentional misclassification with the purpose of utilising lower rates of customs payments;
- unification of customs payments on similar goods;
- unification of excise tax rates on excisable goods, its application in respect of goods harmful to human health and the environment.

In addition, the Resolution 3818 envisages that as of 1 September 2018:

- conformity certification in Uzbekistan not required for imported goods certified by accredited authority of the OECD member states;
- mandatory labelling of goods in state language not required for clearance of goods under ‘free circulation (import)’ customs regime;
- interactive service ‘Integrated Tariff’ will be introduced at the website of the State Customs Committee of the Republic of Uzbekistan. This service shall allow obtaining (on free of charge basis) detailed information on all regulatory documents governing customs matters.

The Resolution 3818 also introduces new rates for import customs duties and excise tax effective from 1 January 2019. Generally, import duty and excise tax rates will be significantly decreased or abolished in relation to a number of goods.

Below please find few examples of new rates of customs duties and excise tax:

- Cement products – 10% customs duty, 0% excise tax.
- New vehicles, produced and imported from Russia, Kazakhstan, Ukraine (except for vehicles specifically design for medical purposes) – 2% excise tax.
- Electric cars – 0% customs duty and excise tax.
- Vehicle with price in equivalent at least USD 40,000 not older than 2 years – 0% customs duty, 20% excise tax.
- Precious and non-precious metals – 0% customs duty and excise tax.

At your request, we will be pleased to provide full list of new import duty/ excise tax rates.

Criteria to qualify as a Large Taxpayer

Resolution of the State Tax Committee registered by the Ministry of Justice under #3023 of 18 June 2018 (Resolution 3023) defines the criteria to qualify as a Large Taxpayer. As per Resolution 3023, all of the following criteria shall be met as at the fiscal year end to qualify as Large Taxpayer prospectively:

- total amount of taxes and other obligatory payments accrued for the tax period comprises at least 200 thousand MMW (approximately USD 4.9 mln.);
- total turnover is not less than 300 thousand MMW (approximately USD 7.4 mln.);
- total assets is at least 100 thousand MMW (approximately USD 2.4 mln.).

Large Taxpayers should submit tax reports to regional state tax departments, which is a higher instance than tax inspectorates used previously.

Large Taxpayers may not opt out from this category and applicable tax administration requirements. Tax authorities shall inform a taxpayer in writing (including through on-line cabinet of taxpayer) within 5 days from the decision to include the company in the Large Taxpayer group.

The list of Large Taxpayers shall be approved annually by the State Tax Committee at least 2 months prior to the next tax period. If a Large Taxpayer falls below the criteria during the tax period, it shall remain as a Large Taxpayer during the following tax year. Legal entity shall qualify as a Large Taxpayer until tax authorities provide official notice confirming that the taxpayer has been excluded from the list of Large Taxpayers.

Increase of subsurface use tax rates

By virtue of Presidential Decree #ПП-3879 of 23 July 2018, subsurface use tax rates for the following minerals have been increased:

- refined copper – 30% (previously 8.1%),
- zinc – 20% (previously 4%),
- gold – 32% (previously 5%),
- silver – 32% (previously 8%).

Protocol to the tax treaty between Uzbekistan and Kazakhstan

On 18 September 2018 a Protocol amending the Agreement between the governments of Kazakhstan and Uzbekistan on Avoidance of Double Taxation with Respect to Taxes on Income and Capital (DTT) was ratified by Kazakhstan. The Protocol was approved from Uzbekistan side by virtue of Presidential Resolution #ПП-2971 of 18 May 2018.

Protocol introduces amendments to the DTT including, among others, expansion of information exchange, assistance with collection of taxes, clarifications to permanent establishment criteria, changes to articles related to taxation of dividends, interests and royalties.

Changes to accounting for assets and liabilities in foreign currency

Order of the Minister of Finance of Uzbekistan dated 12 July 2018 introduces the following changes to the National Standard of Accounting #22 “Recording assets and liabilities denominated in foreign currency” effective 21 November 2018:

- Mechanism of setting prices (tariffs) for goods (works, services) in foreign currency with settlements in local currency abolishes.
- Value of assets purchased in foreign currency shall be converted into local currency at the official exchange rate of the Central Bank of Uzbekistan

effective at the date of recording of assets in accounting (previously, date of customs cargo declaration and settlement of customs payments was used).

- Provisions related to foreign exchange differences related to charter capital fixed in foreign currency have been removed due to the requirement to establish charter capital in local currency.
- Investments to charter capital and shares are no longer subject to revaluation.

As of 1 January 2019, accumulation method for recognising foreign exchange difference will be abolished and only direct recognition method will remain applicable. Relevant changes should be introduced to taxpayers' accounting policy, if required.

International Mobile Equipment Identity (IMEI) registration in Uzbekistan

The Resolution of the Cabinet of Ministers #847 of 22 October 2018 "On measures for improvement of registration and import of mobile devices to Uzbekistan" introduces a system of mandatory registration of IMEI codes of mobile devices in Uzbekistan. As of 1 April 2019 mobile devices imported to Uzbekistan will have to be registered using specialised online service. Details on registration of IMEI are yet to be developed.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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