



Improving the tax system to reduce the tax burden on business and enhance tax administration

After holding an open dialogue with entrepreneurs on 20 August 2021, the President of Uzbekistan announced a number of changes in the taxation area to reduce the tax burden on business. Changes envisage tax incentives for exporters, catering and tourism sectors, manufacturers of construction materials and many others. In addition, number of changes are expected in relation to VAT, including simplification of VAT refund process and reduction of the VAT rate, abolishment of certain fines etc. Below we summarise the most notable changes.

VAT

On 24 August 2021, the President of Uzbekistan signed Resolution #ПП-5231 ‘On improvement of value added tax administration’, envisaging, among others, the following changes:

- As of 1 October 2021, offset of input VAT amount paid (payable) for goods/services used for production of exported goods will be carried out regardless of the actual receipt of the foreign currency proceeds. It is worth noting this applies only to ‘bona fide’ taxpayers that are also compliant with the requirements on export revenue collection. If the foreign currency proceeds are not received in full within 180 calendar days from the date of export, the corresponding amount of input VAT is excluded from offset.
- As of 1 January 2022 the mandatory requirement for a separate application to tax authorities for refund of VAT shall be abolished. Instead, a taxpayer shall have an option to notify tax authorities on refund of VAT during submission of tax returns for the relevant tax period (respective amendments to tax reporting forms should be introduced by tax authorities within 3 months).

Catering and tourism

In further support of catering and tourism sectors during the COVID pandemic, on 25 August 2021 the President of Uzbekistan signed Decree #ПП-5232 ‘On additional measures to support entities operating in public catering and tourism areas’. Decree introduces the following incentives as of 1 September 2021:

- until 31 December 2021, entities operating in catering are exempt from payment of Land Tax and Property Tax.
- until 1 September 2023 the Touristic Duty shall not be charged.

Catering entities should also be eligible for a deferral of settlement of tax liability on certain taxes accrued prior to 15 August 2021.

Tax administration

In view of improvement of business environment by way of further enhancement of tax administration and waiver of responsibility for tax violations, as well as implementation of the tasks identified during the open dialogue of the President of the Republic of Uzbekistan with entrepreneurs, Decree ‘On measures for creation of more favorable conditions for business entities on tax payment process’ was signed by the President on 7 September 2021.



The Decree introduces the following changes as of 1 January 2022:

- no financial sanctions are to be applied in respect of violations identified during desktop tax audits (cameral control);
- financial sanctions for failure to submit tax reports within established deadlines to be abolished.

Moreover, as a pilot initiative, in the first half of 2022 tax authorities will assist taxpayers registered in Khorezm region with tax calculations and preparation of tax reports on VAT, Excise Tax, Turnover Tax and Land Tax. At this, the following procedure to be established:

- tax authorities calculate tax liabilities and draft tax reports based on the data from the Cadastral Agency (for Land tax); data from electronic invoicing systems and online cash registers, as well as other data available with the tax authorities for the purpose of VAT, Excise Tax and Turnover Tax;
- draft tax reports prepared by tax authorities are sent via personal taxpayer's cabinet at least 10 days prior to the filing deadline;
- taxpayer, within 5 days from receipt of the tax reports either approves it or rejects by submitting amended reports in accordance with the established procedure.

Incentives for exporters

Presidential Decree ‘On additional measures to promote exporter entities’ was signed on 7 September 2021. According to the Decree the following changes to be introduced:

- 120-days deferral (payment by installments) of customs payments on importation of components and materials for production purposes for entities with textile exports of more than USD 1 mln. during the last twelve months;

- as of 1 October 2021, certification is waived in respect of imported equipment, components, raw materials, measuring equipment and vehicles, chemicals and lifting mechanisms originating from countries with a sophisticated quality control system;
- a system to be introduced for a period of one year envisaging compensation of 50% of transportation costs at exportation of goods with high added value to European countries.

Construction materials

Presidential Decree ‘On measures to support the construction materials industry’ envisage:

- reduction of the Corporate Income Tax rate for producers of cement (clinker) from 20 to 15% as of 1 October 2021;
- reduction of the Subsurface Use Tax rate on limestone to be used for production of cement as of 1 January 2022.

Proposed changes

On 9 September 2021, the President of the Republic of Uzbekistan announced the following:

- reduction of VAT rate from 15% to 12% in 2023;
- reduction of Property Tax rate from 2% to 1.5% in 2022;
- introduction of a unified tax on real estate, combining Property Tax and Land Tax from 2023;
- reduction of Corporate Income Tax rate for banks and mobile telecommunication companies from 20% to a general rate of 15%.



If you are interested in additional information, please contact PwC specialists working as part of a group serving your company, or to any of the persons listed below.

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