



# Tax Code Amendments

- *Law of the Republic of Uzbekistan 3PY-783 “On introduction of amendments to the Tax Code of the Republic of Uzbekistan” of 12 July 2022 (Law 783)*
- *Law of the Republic of Uzbekistan 3PY-785 “On introduction of amendments to some legislative acts of the Republic of Uzbekistan aimed on improvement of tax and customs legislation” of 26 July 2022 (Law 785)*

**Law 783** introduces certain changes in taxation of participants of Special Economic Zones (SEZ). Specifically, in accordance with the Law 783, participants of SEZ are exempt from payment of corporate income tax (CIT) for a specified period depending on the amount of investment:

- USD 3 - 5 mln: 3 years;
- USD 5 - 15 mln: 5 years;
- USD 15 mln and above: 10 years.

We note that the exemption from CIT had been available for SEZ participants prior to 1 January 2020 before the new edition of the Tax Code of Uzbekistan (Tax Code) removed the CIT exemption limiting the tax incentives for SEZ participants to Water Use Tax, Property Tax and Land Tax only.

Tax Code was also supplemented by the provision specifying that the period of validity of the above CIT exemption shall commence at the date of commissioning of a production facility (service provision facility) at SEZ.

Moreover, the Tax Code was amended to allow SEZ participants that had been registered prior to 1 January 2020 to utilize the CIT exemption for the period from 1 January 2020 through reinstatement of the CIT exemptions subject to certain conditions.



**Law 785** also introduces changes to the Tax Code. Below we summarise the most noteworthy amendments. At your request, we will be pleased to share the full list of amendments.

- Personal Income Tax (PIT) deduction in the amount of 3 mln. Uzbek soums per month per child is introduced on expenses for education in private schools and (or) preschool educational organizations (effective retrospectively from 1 April 2022).
- Reduction of PIT rate for non-resident individuals from 20% to 12% is formalized in the Tax Code with retrospective effect from 1 May 2022. The rate reduction was declared earlier this year by Presidential Resolution 101.
- Certain types of benefits-in-kind paid by employers become deductible. For instance, expenses for purchase of tickets for employees and their close relatives for attendance of cultural events and concerts (limited by 0.5% of the company's revenue).
- Excise Tax rate for mobile communication services is reduced from 15% to 10% (effective retrospectively from 1 January 2022).

- Antenna posts (i.e. metal structures) located in rural areas (excluding cities and district centers) along with the hardware installed thereon are exempt from Property Tax. Similarly, land plots occupied by such structures are exempt from Land tax (effective retrospectively from 1 April 2022).
- In the period between 1 April 2022 to 1 January 2025 entities carrying out the following activities pay Social Tax at a reduced rate of 1% (standard rate is 12%):
  - retail trade
  - catering
  - hotel services
  - passenger and freight transportation by vehicles
  - repair and maintenance of vehicles
  - computer services
  - repair of household appliances
  - agro- and veterinary services, services provided in entertainment centers.

The above reduced rate is available for business entities if, in the current reporting (tax) period the revenue from provision of services for a specified type of activity comprises at least 60% of the total revenue. This incentive may be withdrawn if the headcount concealment cases are revealed.

- The list of temporary tax incentives provided in the Tax Code was supplemented with the following incentive (initially declared by Presidential Decree 90 and discussed in our recent Tax News Report). For easy reference, below we are restating those incentives:



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In the period from 1 April 2022 to 31 December 2024:

- Dividend income of individuals (both residents and non-residents) from shares in joint stock companies is exempt from PIT;
- Dividend income of non-resident legal entities from shares in joint stock companies is subject to a reduced withholding tax rate of 5% (same as the tax rate applicable to residents);
- Interest income of legal entities and individuals (both residents and non-residents) on corporate bonds is exempt from CIT and PIT respectively.
- The list of temporary tax incentives was also supplemented by an exemption from VAT on importation of spare parts for medical equipment and products, as well as consumables used for medical purposes for the period from 1 April 2022 to 1 January 2025 based on pre-approved lists.
- Customs duty incentives envisaged by the legislative acts issued by the President and Cabinet of Ministers prior to 1 July 2022 shall remain valid until their expiration date indicated in those acts.



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.