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ADVIZEN

Where Advice Meets Action

# DOING BUSINESS IN UZBEKISTAN











YOUR GUIDE TO REGULATIONS  
AND TAXATION

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2024



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**WELCOME TO  
UZBEKISTAN**



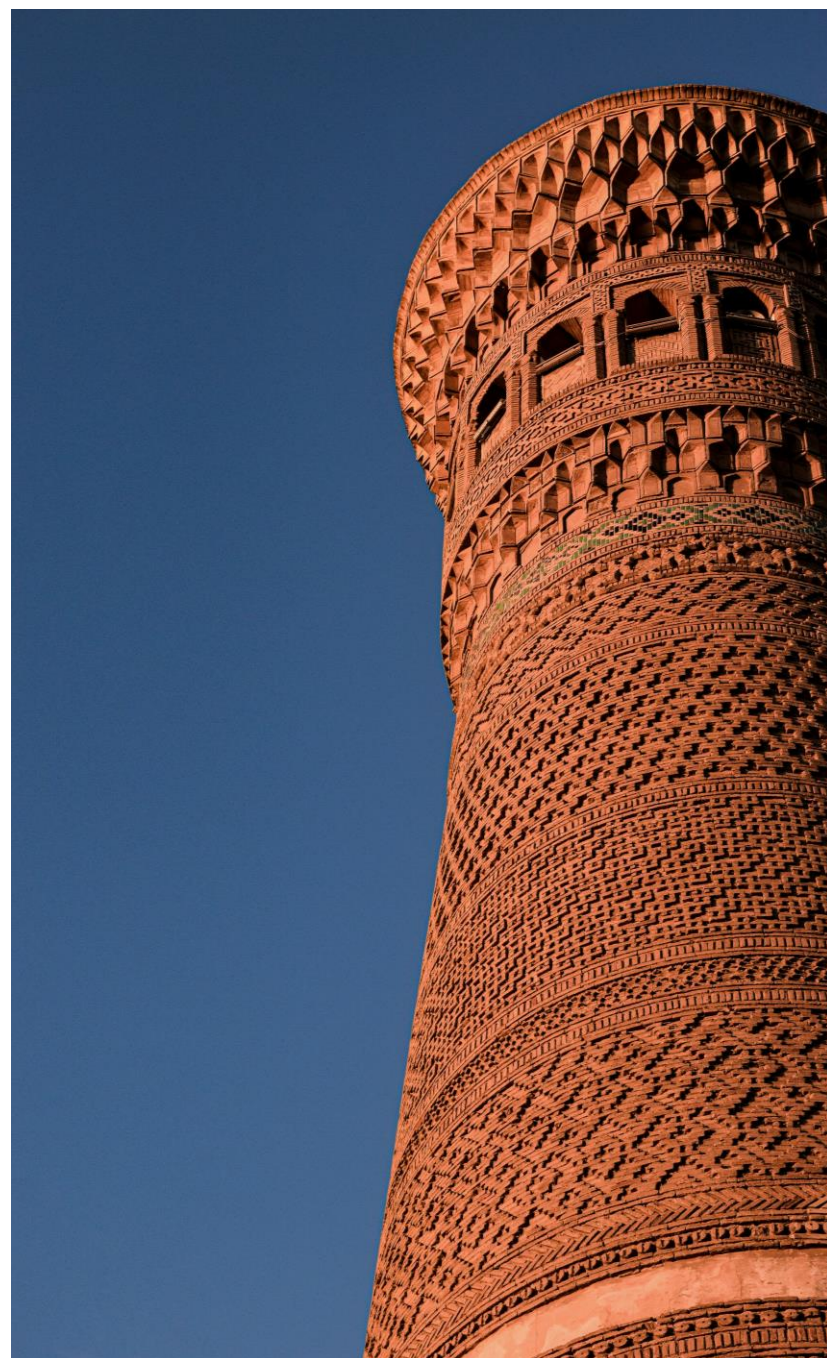
Uzbekistan is rapidly emerging as a dynamic and promising destination for foreign investors, offering a wealth of opportunities across diverse sectors of its growing economy. This guide aims to provide practical insights and essential information on navigating the legal and tax frameworks crucial for establishing and operating a successful business in Uzbekistan.

This guide is your comprehensive resource for understanding the Uzbekistan business landscape:

- **Market overview:** Key economic indicators, global rankings, foreign trade and investment policies.
- **Arriving in Uzbekistan:** Types of visas and requirements.
- **Company establishment:** Step-by-step process for registering and setting up a business.
- **Tax system:** Overview of corporate income tax, VAT, and other relevant taxes.
- **Labor relations:** Contracts, working conditions, and rights of employers and employees.
- **Customs regulations:** Customs regulation, duties, processing fees and other requirements and limitations.
- **Banking and finance:** Laws governing financial transactions and investments.

It is crucial to note that this guide does not constitute comprehensive legal or tax advice. We strongly recommend seeking professional counsel tailored to your specific business needs before undertaking any significant transactions or investments.

We are committed to supporting your success in this exciting and evolving market. We wish you every success in your business endeavors in Uzbekistan.





# UZBEKISTAN FACT SHEET



## Geography

| Category           | Details   |
|--------------------|---|
| Capital            | Tashkent  |
| Location           | Central Asia  |
| Area               | 447,400 km <sup>2</sup>   |
| Boundaries         | Kazakhstan, Kyrgyzstan, Tajikistan, Afghanistan, Turkmenistan                   |
| Terrain            | Primarily flat desert, fertile river valleys and towering mountains in the east |
| Climate            | Continental climate with hot summers and cold winters                           |
| Capital city       | Tashkent  |
| Other major cities | Samarkand, Bukhara, Andijan, Namangan   |
| Time zone          | GMT +5  |

## Government and Economy

| Category              | Details  |
|-----------------------|--|
| Government            | Presidential democracy   |
| Administration        | 14 administrative units, including autonomous Republic of Karakalpakstan, 12 regions (viloyats) and the capital city of Tashkent |
| Population            | 37 million   |
| Language              | Uzbek is the official language while Russian is widely spoken  |
| Major industries      | Textiles, Energy, Agriculture, Tourism   |
| Key economic partners | China, Russia, Kazakhstan, Turkey  |
| Currency              | Uzbek Soum (UZS)   |
| Exchange rates        | 1 USD =<br>1 EUR =<br>1 CHF =<br>1 CNY =<br>1 RUB =  |

## Time Zones

| Location                       | Difference |
|--------------------------------|------------|
| Sydney                         | +5/+6      |
| Seoul, Tokyo                   | +4         |
| Beijing, Hong Kong, Singapore  | +3         |
| Nur-Sultan, Almaty, Bishkek    | 0/+1       |
| <b>Tashkent</b>                | 0          |
| Tbilisi, Baku, Istanbul, Dubai | -1         |
| Moscow, Kyiv, Doha             | -2         |
| Paris, Frankfurt               | -4         |
| London                         | -5         |
| New York                       | -9/-10     |

## Public Holidays

| Holiday                   | Date                      |
|---------------------------|---------------------------|
| New Year                  | 1 January                 |
| International Women's Day | 8 March                   |
| Navruz                    | 21 March                  |
| Day of Memory and Honour  | 9 May                     |
| Independence Day          | 1 September               |
| Teacher's Day             | 1 October                 |
| Constitution Day          | 8 December                |
| Ramadan Eid               | Variable (Lunar Calendar) |
| Kurban Eid                | Variable (Lunar Calendar) |

## Business Hours

Uzbek offices are generally open from 9:00 am to 6:00 pm, Monday to Friday, and are closed Saturdays and Sundays.

Sources: Official sites of the President of the Republic of Uzbekistan, the Central Bank of Uzbekistan and the State Statistics Committee of the Republic of Uzbekistan.



# MARKET OVERVIEW



## 2.1. Key Economic Indicators

Uzbekistan, a nation undergoing transformation, showcases a dynamic and evolving economy. Key economic indicators paint a picture of this growth, highlighting its potential and challenges. From GDP figures to inflation rates, employment statistics, and trade balances, these metrics offer insights into the country's economic health. In this section, we delve deeper into these indicators, providing a comprehensive overview of Uzbekistan's economic landscape through illustrative graphics and detailed figures for the period of last five years (2018 – 2023).

**GDP 90.8**  
billion USD

↑**14.6%** avg. growth

Uzbekistan's GDP grew from 51.05 to 90.8 billion USD, a remarkable increase of 77.86% over five years, with an average annual growth rate of 14.6%.

**2,465 USD**  
GDP per capita

↑**11.9%** avg. growth

The GDP per capita rose significantly from 1,548 USD in 2018 to 2,465 USD in 2023, a growth of 59.2%. Annual average increase demonstrates positive 11.92%.

**8.7%**  
Inflation Rate

↓**1.8%** avg. decrease

Inflation has steadily declined from 17.5% in 2018 to 8.7% in 2023, an average annual reduction of 1.76%.

**6.8%**  
Unemployment Rate

↓**0.6%** avg. decrease

Uzbekistan has made significant strides in reducing unemployment, with the rate falling from 9.7% in 2018 to 6.8% in 2023. This represents an average annual decrease of 0.58%.

**FDI 2.2**  
billion USD

↑**15.2%** avg. growth

Foreign Direct Investment (FDI) inflows have surged from 0.6 billion USD in 2018 to 2.2 billion USD in 2023, a significant increase of **266.67%** over five years. This indicates increasing investor confidence in Uzbekistan's economic potential and attractiveness for business.

**315 USD**  
Average salary

↑**7.6%** avg. growth

The average wage has seen a notable increase from **228 USD** in 2018 to **315 USD** in 2023, a growth of **38.16%**. This translates to an average annual increase of **7.6%**, indicating an improvement in the standard of living for workers.

**37 million**  
population

↑**2.1%** avg. growth

Uzbekistan's population grew from 33 to 37 million, reflecting a robust average annual growth rate of 2.1% and signifying a young and expanding demographic, which provides a large and growing domestic market

**58%**  
Working-age population

↑**2.3%** avg. growth

The working-age population experienced significant growth, from 18.5 to 20.9 million, an average annual growth rate of 2.3%. This expansion of the workforce provides a strong foundation for sustained economic development.

## 2.2. Foreign Trade

Uzbekistan's foreign trade has experienced significant growth, with both exports and imports increasing substantially between 2018 and 2023. In 2018, exports totaled 14.2 billion USD, while imports reached 19.6 billion USD. By 2023, exports surged to 24.4 billion USD, and imports rose to 38.1 billion USD. This demonstrates a notable expansion in Uzbekistan's participation in global trade.

### Export Structure

Uzbekistan's export basket is diversified, encompassing a wide range of products. Key exports include fruits and vegetables, grains and grain products, metals, textiles, and automotive components. In 2023, there was a notable increase in exports of fruits and vegetables, grains, petroleum products, chemicals, and metals. However, exports of gas, electricity, fertilizers, and textiles declined.

### Major Trading Partners



**13.5%**  
**Russia**



**10.1%**  
**China**



**5.6%**  
**Kazakhstan**



**5.1%**  
**Turkey**



**4.3%**  
**South Korea**

Uzbekistan's trade relationships are geographically diverse, with its largest partners located in both Europe and Asia. Russia stands as the country's primary trading partner, accounting for 13.5% of total trade volume. China follows closely behind at 10.1%, reflecting Uzbekistan's growing economic ties with its eastern neighbor.

### Import Structure

Uzbekistan's imports are primarily driven by the demand for machinery, industrial goods, food products, and chemicals. The country saw a substantial increase in imports of food products, petroleum, gas, and automobiles in 2023. Notably, the import of fertilizers doubled, likely due to reduced domestic production.

Overall Uzbekistan's foreign trade performance reflects the country's efforts to integrate into the global economy and diversify its partners. The growth in exports demonstrates the competitiveness of Uzbekistani products in international markets. The increase in imports, particularly of machinery and industrial goods, suggests ongoing investments in domestic industries and infrastructure development.

Kazakhstan, Turkey, and South Korea are also key trading partners for Uzbekistan, each contributing significantly to the country's import and export activities. Kazakhstan holds a 5.6% share, while Turkey and South Korea account for 5.1% and 4.3% of total trade, respectively. This diversified network of partners underscores Uzbekistan's efforts to expand its economic reach and reduce dependence on any single market.

## 2.3. Foreign Direct Investment Policies

In Uzbekistan, there are no specific registration procedures required to be recognized as an investor. Engaging in investment activities automatically confers investor status.

### Sovereign Guarantees

Currently, Uzbek legislation does not explicitly regulate the issuance of sovereign guarantees or restrict the government from issuing them for public authority obligations. Sovereign guarantees in favor of foreign lenders are issued solely by the Ministry of Finance upon resolution by the President or the Government. The Ministry of Finance is authorized to negotiate and issue sovereign guarantees on behalf of the Republic of Uzbekistan, and these guarantees are subject to registration with the ministry.

### International Regulatory Considerations

While not currently a member of the WTO or any economic blocs, Uzbekistan is pursuing WTO accession and holds observer status in the Eurasian Economic Union. Although no regional or international regulatory systems are directly incorporated, the majority of the local regulatory system align with international best practices.

### Currency Regulations

Uzbekistan's currency law generally mandates the use of the national currency, the soum (UZS), for domestic transactions, while permitting the use of any preferred currency for cross-border transactions. Recent reforms have simplified the process of converting local currency into foreign currency. However, pegging contract prices to foreign currency is generally prohibited, with exceptions for certain projects. A more detailed discussion of currency regulations can be found in section 8.2.

### Bilateral Investment Treaties (BIT)

Uzbekistan is a signatory to the ICSID Convention and is party to over 50 bilateral investment treaties (BITs). Qualified foreign investors under these BITs are granted most favored nation treatment and have recourse to ICSID in case of BIT violations.

### Repatriation of Funds

Foreign investors can recoup their investments in Uzbekistan through two primary methods: (1) interest payments as specified in a loan agreement, and (2) dividend payments from a resident company to a foreign participant. However, dividends can only be distributed after full payment of the charter capital and taxes, provided that the company has not faced insolvency or its net assets fall below its charter capital.

### Major Foreign Investors



**25.6%**  
**China**



**13.4%**  
**Russia**



**7.9%**  
**Saudi Arabia**



**6.4%**  
**Turkey**



**5.8%**  
**United Arab Emirates**

## 2.4. Global Rankings

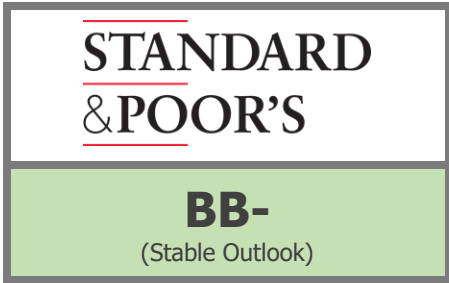
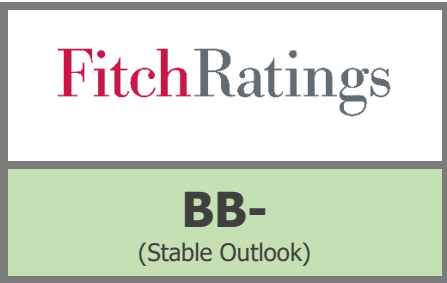
### Global Ease of Doing Business Ranking



Uzbekistan has made strides in improving its ease of doing business ranking, climbing from 74th to 69th position between 2018 and 2023. This positive movement indicates a more streamlined business environment, with reduced bureaucratic hurdles and enhanced regulatory efficiency. Such improvements are crucial for attracting greater foreign direct investment and fostering economic growth. Continued efforts to further enhance the business climate could unlock even greater potential for Uzbekistan's economy.

### International Credit Ratings

Uzbekistan's creditworthiness is assessed by major international rating agencies, providing insights into the country's ability to meet its financial obligations. These ratings are essential for investors and financial institutions evaluating the risk associated with lending to or investing in the country.



Uzbekistan holds a Ba3 rating from Moody's and BB- ratings from both Fitch and S&P, all with a stable outlook. These ratings indicate that while Uzbekistan faces some economic risks, its capacity to meet financial commitments is considered adequate. The stable outlook suggests that the agencies do not foresee any significant changes to Uzbekistan's creditworthiness in the near future. These assessments reflect confidence in the country's ongoing economic reforms and its ability to navigate potential challenges. However, the ratings also imply that there is room for further improvement in strengthening Uzbekistan's economic resilience and reducing vulnerabilities.

## 2.5. Legislative Progressions

### Crypto Regulation

The Republic of Uzbekistan has established a comprehensive regulatory framework for crypto-assets, overseen by the National Agency for Perspective Projects (NAPP). While cryptocurrencies are recognized as property rights and not legal tender, the government has embraced the technology and its potential benefits.

To operate legally within the crypto-asset space, businesses must obtain a license from the NAPP. Licenses are available for four distinct types of service providers: crypto-exchanges, mining pools, crypto-depositories, and crypto-shops.

The cost of obtaining a license varies depending on the activity, with crypto-exchange licenses costing 740 base specified value (BSV) (~ 20,400 USD) mining pool licenses 100 BSV (~ 2,750 USD), and crypto-shop 185 BSV (~ 5,100 USD).

It's important to note that all crypto-asset transactions must be conducted through licensed platforms, and the advertising of crypto-related services is subject to clear risk disclosures.

### Digital Labeling

Uzbekistan has implemented a mandatory digital labeling system for various product categories to enhance transparency, combat counterfeiting, and ensure consumer safety. The system, known as "Asl Belgisi" (Original Mark), utilizes unique identification codes in the form of data matrix to track products throughout the supply chain.

The digital labeling requirement has been gradually introduced for several product categories, including: Tobacco products, alcoholic beverages, household appliances, medicines, water and soft drinks.

Manufacturers and importers are responsible for applying the digital labels, while retailers and wholesalers must integrate with the national monitoring system to track and trace labeled products.

The State Tax Committee of Uzbekistan is responsible for overseeing the implementation and enforcement of digital labeling regulations.





# ARRIVING IN UZBEKISTAN

## 3.1. Visas

### Temporary Visas

These visas cater to a variety of short-term visits. Generally, all foreign nationals and stateless persons are required to obtain a visa to enter Uzbekistan. Visa-free entry periods for nationals of select countries are detailed in the table below.

| Period        | Country  |
|---------------|--|
| Up to 60 days | Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Ukraine  |
| Up to 30 days | Andorra, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Belize, Bosnia and Herzegovina, Brazil, Brunei, Bulgaria, Canada, Chile, Costa Rica, Croatia, Cuba, Cyprus, Czech Republic, Denmark, Dominica, Dominican Republic, El Salvador, Estonia, Finland, France, Germany, Greece, Grenada, Guatemala, Honduras, Hungary, Iceland, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Malta, Mexico, Monaco, Mongolia, Montenegro, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, Portugal, Romania, San Marino, Serbia, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Tajikistan, Trinidad and Tobago, Turkey, UAE (also foreign nationals with UAE resident visa), United Kingdom, Vatican. |
| Up to 7 days  | China and Hong Kong  |

### Business Visa

This visa is designed for foreign nationals visiting Uzbekistan for short-term business activities. The visa is typically issued for up to one year and allows multiple entries. To obtain a Business Visa, applicants typically need a letter of invitation from a registered Uzbek company or a foreign company's representative office in Uzbekistan, along with a completed visa application form and a valid passport with at least six months of remaining validity.

### Investment Visa

The Investment Visa is a multiple-entry visa issued for up to three years and is renewable without leaving Uzbekistan. To be eligible, individuals must have invested at least 85,000 times the minimum monthly wage (approximately USD 2.5 million at the time of writing) through the acquisition of shares or the establishment of enterprises with foreign investment in Uzbekistan. To apply, individuals must provide proof of investment, such as a certificate from the Central Securities Depository or the Ministry of Justice, along with a completed visa application form and a valid passport.

### Work Visa

A Work Visa is mandatory for foreign nationals seeking employment in Uzbekistan. The visa's validity aligns with the duration of the employment contract. To obtain a Work Visa, applicants must possess a work permit issued by the Agency for External Labor Migration, along with a completed visa application form, a valid passport with at least six months remaining validity, and payment of the applicable visa fee.

### Visas for Representatives of Foreign Organizations and Countries

Uzbekistan offers Diplomatic Visas and Service Visas for diplomatic staff, administrative and technical staff, and their family members associated with foreign embassies, consulates, and international organizations. Additionally, individuals with a red UN Laissez-Passer can stay up to 30 days without a visa. However, holders of a blue UN passport will need a visa, but the process is simplified, with issuance within 2 days by the Ministry of Foreign Affairs.

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*Should you need comprehensive human capital solutions tailored to your business needs in Uzbekistan, Advizen is here to help. Our services streamline the process of obtaining work authorizations for foreign employees, ensuring compliance with all local regulations, as well as facilitating tax registration and providing ongoing guidance for expatriate staff.*

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# ESTABLISHING A BUSINESS





## 4.1. Forms of legal presence in Uzbekistan

In Uzbekistan, entrepreneurial activities can be established under several legal forms, including but not limited to Self-Employment, Individual Entrepreneur for individuals, and Limited Liability Companies (LLCs), Joint-Stock Companies (JSCs), and Representative Offices of foreign companies for legal entities. Additionally, foreign companies can set up a Permanent Establishment to conduct business activities in the country. Each of these options provides different structures and benefits depending on the nature and scale of the business.

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*Should you need further details on the various business forms in Uzbekistan, Advizen provides expert guidance on selecting the most suitable structure for your specific industry and commercial objectives. Our services include comprehensive advice on business structuring, along with complete company formation, registration support and outsource accounting tailored to your investment needs.*

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This section provides details of the most commonly used forms of legal presence in Uzbekistan.

### Joint-Stock Companies (JSC's)

A Joint-Stock Company (JSC) in Uzbekistan operates as a separate legal entity from its shareholders, which generally means the shareholders are not personally liable for the company's debts and obligations. A JSC can be founded with either one or multiple shareholders, offering flexibility in ownership.

While there is typically no minimum charter capital requirement for a JSC, certain regulated industries, such as banking and insurance, impose specific minimum capital requirements.

Setting up a JSC involves a complex and lengthy process, leading many investors to prefer a Limited Liability Company (LLC) for their business activities in Uzbekistan. However, for certain sectors, like banking and payment systems, a JSC is the only permissible structure for establishing a business presence in the country.

### Limited Liability Companies (LLC's)

Similar to a Joint-Stock Company (JSC), a Limited Liability Company (LLC) in Uzbekistan is a legal entity where the participants are not personally liable for the company's debts. Instead, their financial risk is limited to their contributions to the company's charter capital. An LLC can be established with one or more participants but cannot be formed by a single entity with only one shareholder unless that entity is a JSC.

Unlike a JSC, an LLC does not issue shares. Instead, participants hold ownership interests in the company. However, an LLC can issue bonds as an alternative to equity financing, subject to similar requirements as those for JSCs.

One key difference is that LLC participants are strictly liable for maintaining the confidentiality of the company's information. The highest authority in an LLC is the general meeting of participants, although a supervisory board can also be created if desired.

While there is generally no minimum capital requirement for forming an LLC, specific regulations for certain licensed activities, such as insurance, may impose minimum capital requirements for those particular sectors.

### Representative Offices (RO)

A Representative Office (RO) in Uzbekistan is a branch of a legal entity established at a different location from its main office. It operates based on accreditation from the government, as detailed in Section 4.2 "Registration Processes". Unlike a separate legal entity, an RO does not have its own legal status; instead, all rights and obligations are held by the parent company.

The role of an RO is to represent and support the interests of the main entity. The RO is explicitly prohibited from conducting any business operations. Should an RO engage in commercial activities, it may face the revocation of its accreditation by the relevant state authorities.

## Permanent Establishments (PE)

A Permanent Establishment (PE) of a foreign legal entity can be registered in Uzbekistan for tax purposes, specifically for a particular project. It is important to note that a PE does not constitute a separate legal entity or legal form; it is established solely for tax registration and compliance related to that specific project. PEs are generally used for one-off projects, allowing foreign companies to engage in business activities in Uzbekistan on a temporary basis without setting up a formal legal entity.

## Self-Employment

Self-employment in Uzbekistan is a form of business presence where individuals operate independently rather than as part of a formal legal entity. This setup allows individuals to engage in various economic activities on their own, including text editing, marketing, design and many more.

## Individual Entrepreneur

An individual entrepreneur (craftsman) is a legal form of presence where a single individual operates a business independently. As a form of presence, individual entrepreneurs are not required to establish a separate legal entity; instead, they operate under their own name or a trade name. This structure is often chosen for its simplicity, allowing

entrepreneurs to manage their business affairs without the need for complex administrative requirements.

## 4.2. Accounting Standards

Accounting in Uzbekistan is primarily regulated by the National Accounting Standards (NAS), a comprehensive set of rules established by the Ministry of Finance. These standards are mandatory for all legal entities except banks and credit institutions and cover a broad spectrum of accounting practices, such as accounting policies, inventory management, cash flow statements, and property, plant, and equipment accounting.

Financial reporting in Uzbekistan is aligned with NAS, requiring companies to prepare annual statements consisting of a balance sheet, income statement, statement of cash flows, statement of changes in equity, and notes to the financial statements. These reports offer a detailed overview of a company's financial performance and position, serving as vital tools for internal management, external stakeholders, and regulatory compliance.

Notably, Uzbekistan is transitioning towards the adoption of International Financial Reporting Standards (IFRS) to enhance transparency and global comparability. Specific entities like joint-stock companies, commercial banks, insurance organizations, and large taxpayers are now mandated to prepare their financial statements according to IFRS, meanwhile other entities may transition voluntarily.





### 4.3. Registration Process

#### State Registration

In Uzbekistan, state registration of legal entities is conducted through the "Business Registration Hub," a centralized service center where all necessary documents are submitted. This hub streamlines the process by handling registrations with multiple government bodies simultaneously, including justice, tax, and statistics authorities.

Documents can be submitted in person or electronically via the "e-Government" portal. However, foreign entities seeking to establish a legal presence in Uzbekistan may face limitations with electronic submissions due to the current unavailability of electronic digital keys for foreign founders.

A standard set of documents must be prepared in Uzbek and submitted to complete the state registration. Additionally, foreign General Directors are now required to obtain a Personal Identification Number of an Individual (PINFL). This number is issued by the Business Registration Hub upon submission of relevant identification documents.

State registration typically requires payment of a fee, which varies based on the type of entity. In practice, the registration process should be completed efficiently, provided all requirements are met.

#### Accreditation of Representative Offices

Representative offices (ROs) of foreign entities must undergo accreditation with the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan. Accreditation is granted upon receipt of a certificate from the Accreditation Authority and is usually valid for a term of 1 to 3 years, with extensions available upon request.

#### Location (Legal Address)

The legal address of a business entity is the location indicated in its foundation documents, such as the charter and foundation agreement. This address must be where the entity's governing body operates or where its main business activities are conducted.

Government authorities, including tax officials, require entities to maintain a physical presence at their registered address. Failure to do so may result in administrative fines and possible seizure of corporate bank accounts.

#### Opening a Bank Account

Both foreign legal entities operating through representative offices and Uzbek legal entities and individuals may open bank accounts in Uzbekistan. Accounts can be held in national or foreign currencies. Uzbek residents are also permitted to open foreign currency accounts with banks outside Uzbekistan, subject to decisions of the President or the Government of Uzbekistan.

## 4.4. Special Economic Zones

### Key Features of Special Economic Zones (SEZs) in Uzbekistan

Uzbekistan hosts 22 Special Economic Zones (SEZs) designed to attract foreign investments and foster regional development. These zones offer unique economic regulations aimed at boosting industrial activities.

### Investment Projects and Registration

Investment projects within SEZs must focus on producing new products not currently manufactured in Uzbekistan or on significantly increasing production volumes. Interested investors must submit an investment application, corporate documents, a business plan, and a draft investment agreement to the SEZ directorate. The application review process takes up to 30 working days.

### Land and Facilities

Upon approval, the necessary land plots are auctioned electronically. Successful bidders can lease the land or vacant buildings, and proceed with signing investment agreements.

### SEZ Participant Status

Investors gain SEZ participant status upon signing the investment agreement and registering their business within the SEZ. This process must be completed within five working days of acquiring the lease.

SEZ participants must employ at least 90% Uzbek nationals. They enjoy various tax benefits, such as exemptions from property tax, land tax, and water use tax, depending on the investment amount and duration. Customs privileges include temporary exemption or reduction of customs duties and elimination of non-tariff export/import restrictions. Participants are also granted deferrals on VAT and customs duties for imported materials needed for production.





## 4.5. IT-Park

### Registration as an IT Park Resident in Uzbekistan

To qualify as an IT Park resident, legal entities registered in Uzbekistan must meet specific criteria. These include operating within the designated IT-related activities outlined in the regulations, possessing economically viable business plans, and ensuring integration with the tax authorities' information systems. Additionally, for certain activities like venture capital financing and esports services, additional requirements such as location within the IT Park or possession of international certifications may apply. The application process involves submitting a detailed business plan through the IT Park's online portal.

### Resident Status and Obligations

Residents must adhere to their business plans, submit regular reports, and make monthly contributions to the IT Park based on their revenue (1% of the revenue). Failure to comply with

these obligations can result in the revocation of resident status and the loss of associated benefits.

### Tax, Customs, and Other Benefits

One of the most significant advantages of being an IT Park resident is the exemption from all taxes and mandatory contributions to state funds, including social tax. Residents may also apply reduced 7,5% Personal income tax (PIT) rate upon distributing salaries to employees under employment contacts (not service agreements). Additionally, residents are exempt from customs duties on imported equipment and software not produced in Uzbekistan. They also enjoy a simplified process for paying dividends and salaries to foreign stakeholders and specialists in foreign currency. Furthermore, residents can operate with a virtual office and export services online without an export contract.



# TAXATION SYSTEM

In the sections that follow, we outline the most significant taxes currently enforced in Uzbekistan. It is important to note that there are also several other industry-specific or less prominent taxes, such as excise tax and various taxes on “subsurface users” (oil, gas, and mining companies). Prospective businesses should conduct a comprehensive review of their planned activities to identify all applicable taxes and ensure full compliance.

## 5.1. Corporate Income Tax (CIT)

**ADVIZEN offers the following services in the area of corporate income tax:**

- **Advisory and structuring**
- **Assistance with tax compliance of legal entities at every step of the process**
- **Tax review and due diligence services**
- **Other tax-related services**

### Taxpayers

Taxpayers for CIT purposes are (i) Uzbek resident legal entities on income from worldwide sources, (ii) Permanent establishments (PE) of foreign legal entities, (iii) individual entrepreneurs with an annual revenue of more than 1 billion UZS (~ 80.000 USD) or who become CIT payers on a voluntary basis, etc.

Uzbek legal entities with an annual turnover of less than 1 billion UZS may benefit from simplified taxation (revenue tax) instead of CIT and VAT (please see the section “5.2 - Revenue tax”).

### Taxable Income

Taxable income of Uzbek legal entities is determined as aggregate income less tax-deductible and economically justified expenses. The required standards of documentation (especially documents used to support deductions) are particularly high in Uzbekistan.

### Tax Rates

General CIT rate is set at 15%, which also applies to permanent establishments (PE) of foreign entities. Income of commercial banks, telecommunication operators, markets and shopping malls is taxed at 20% rate.

A reduced rate of 7,5% is applied to entities engaged in e-commerce, provided that they are included in the national Register of E-commerce Entities and at least 90% of their revenue comes from e-commerce.

Income from export operations is taxed at 0% rate, if the revenue in foreign currency is received within 183 days from the date of disposal of goods.

### Depreciation

To qualify as a fixed asset for tax purposes, an asset must be defined as such under accounting legislation.

For tax purposes, assets may be depreciated up to the maximum rates shown in the following table:

| Types of fixed assets                              | Maximum rate |
|--|--------------|
| Buildings  | 5%           |
| Structures   | 10%          |
| Trains, ships, aeroplanes                          | 10%          |
| Pipelines, communication equipment and power lines | 15%          |
| Production machinery and equipment                 | 20%          |
| Cars, computers and office equipment               | 40%          |
| Other assets                                       | 15%          |

Land, construction-in-progress, and certain other assets are not depreciated.

Intangible assets are amortized for tax purposes over the useful life of the asset or five years (if the useful life cannot be determined).

### Loss Carry-Forward

Taxpayers may deduct the losses incurred in previous tax periods (calendar year) from the taxable base of the current period. If the taxpayer has accumulated losses in several tax

periods prior to the current, than the losses are deducted in the order in which they were incurred.

### **Thin-Capitalization**

Uzbekistan's tax regulations include thin capitalization rules to prevent tax avoidance through excessive debt financing from related parties. If a taxpayer's controlled liabilities, such as loans from a foreign individual or entity holding at least 20% of shares or their related parties, exceed three times the taxpayer's equity (13 times for banks and leasing organizations), the interest expenses on these excess liabilities may be deemed non-deductible for tax purposes. This provision aims to ensure a balanced debt-to-equity ratio and maintain a fair tax base.

### **Investment Deduction**

Taxpayers are allowed to make an investment deduction, which is treated as depreciation expense, in the following amounts:

- **20%** of the cost of:
  - New technological equipment (less than three years old since manufacture)
  - Modernization, technical, and/or technological re-equipment of production
  - Domestically produced software acquired for information system development projects
- **10%** of expenses for:
  - Expansion of production through new construction
  - Reconstruction of buildings and structures used for production

The investment deduction is applied in the reporting (tax) period when the new equipment is put into operation or the modernization, re-equipment, construction, or reconstruction is completed.

### **Controlled Foreign Company (CFC)**

A CFC is a foreign legal entity or unincorporated entity that is not considered a tax resident of Uzbekistan but is controlled by Uzbek tax-resident entities. For CFCs without

corporate status, the controlling person is the founder. For CFCs with corporate status, a controlling person is a legal entity that:

- Holds more than 25% of shares in the foreign company
- Holds more than 10% of shares, if the combined shares of all other Uzbek tax-resident shareholders exceed 50%
- Exercises control over the foreign company, regardless of shareholding percentage

If an Uzbek tax-resident company is deemed a controlling person of a CFC, it must include the CFC's retained earnings in its taxable income and pay the corresponding taxes. Additionally, tax-resident companies must notify tax authorities of their participation in foreign legal entities, the establishment of foreign unincorporated entities, and any CFCs they control.

### **Net-Profit Tax for Permanent Establishments**

Net profit remaining at the disposal of a non-residents permanent establishment (PE) after the tax payments are settled is subject to 10% dividend tax.

## **5.2. Revenue Tax**

Revenue tax is a simplified tax regime available for certain legal entities and individual entrepreneurs in Uzbekistan. To qualify, legal entities must have an annual turnover of no more than 1 billion UZS (~81.000 USD), while individual entrepreneurs must meet the minimum and maximum thresholds of 100 million UZS (~8.100 USD) and 1 billion UZS respectively.

This regime does not apply to importers, entities producing excisable goods/services or extracting minerals, agricultural producers with significant irrigated land, sellers of gasoline, diesel, or gas, lottery operators, trustees in simple partnerships, owners of vacant/underutilized property, centrally funded construction projects, retail alcohol outlets, markets, shopping complexes, tax consultants, audit firms, or non-profit organizations.

The standard revenue tax rate is 4%, with variations for specific industries and locations. For example, retail businesses may face rates from 1% to 4%, while wholesale and retail pharmacies may see rates from 1% to 3%, depending on



location. E-commerce operators may utilize the 2% rate, provided that the respective criteria of share of e-commerce income in revenue and registration are met.

Taxpayers can choose to pay a fixed annual tax amount instead of the standard rate. 25 and 34 million UZS (~ 2,025 and 2,755 USD), if the annual revenue is below and above 500 million UZS (~ 40,500 USD) respectively.

### 5.3. Withholding Tax (WHT)

Uzbek source income of a non-resident legal entity (without a PE) is subject to WHT at the source of payment.

#### Tax Agents

In Uzbekistan, any tax-registered entity making payments to a foreign company for services sourced in Uzbekistan assumes the role of a withholding tax agent. This entails the responsibility to withhold and remit the applicable taxes on those payments to the Uzbek tax authorities. The tax withholding is calculated based on the gross amount of the Uzbek-sourced income, without any deductions applied.

### Taxable Income and Rates

| Types of Income                                    | WHT Rate |
|--|----------|
| Interest. Dividends                                | 10%      |
| Insurance premiums                                 | 10%      |
| International transportation and telecommunication | 6%       |
| Other income                                       | 20%      |

Interest on certain loans made by financial institutions and certain types of income of banks are subject to 0% WHT.

#### International Treaties

Uzbekistan has concluded Double Taxation Treaties (“DTT”) with over 50 states globally. Most DTT’s established by Uzbekistan offer either an exemption from Uzbek WHT or a reduction in WHT rates, ranging from 0% to 15%. However, the application of these preferential DTT provisions is contingent upon fulfilling certain specific requirements. For a detailed list of the applicable DTTs, please refer to the Appendix 1 provided.



## 5.4. Value Added Tax (VAT)

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***ADVIZEN offers help with VAT risk identification, VAT compliance support and cross-border VAT planning.***

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### **Taxpayers**

The Value Added Tax (VAT) in Uzbekistan applies to both domestic legal entities and foreign legal entities, including their Permanent Establishments (PEs) that supply goods or services within the country.

### **VAT-Registration**

Uzbekistan requires special VAT registration for eligible taxpayers through an online application. This process includes an automated risk assessment, categorizing taxpayers into low, medium, or high-risk groups. Only taxpayers with valid certificates and low or medium-risk classifications can offset VAT. High-risk taxpayers face potential rejection or suspension of their VAT registration, and cannot offset VAT. Key risk factors include inconsistencies in business details, failure to file returns, tax debts, and associations with high-risk individuals.

### **Place of Supply**

Goods are considered supplied in Uzbekistan if they are located within the country at the time of supply or at the start of shipment/transportation. Services are generally deemed to be supplied in the location of the purchaser's business activities.

### **General VAT rules**

VAT is levied at a standard rate of 15%. Taxpayers calculate their VAT liability by subtracting allowable input VAT (VAT paid on purchases) from output VAT (VAT charged on sales). Input VAT incurred on non-VATable or exempt supplies cannot be offset and is included in the cost of goods or services. Input VAT can be offset against zero VAT rated output supplies. Excess input VAT can be carried forward for future offset or refunded upon request.

### **VAT on imported services (Reverse-Charge / Withholding)**

When services are provided in Uzbekistan by a non-resident supplier to a local purchaser, the Uzbek purchaser acts as a tax

agent and is responsible for withholding and remitting VAT on behalf of the non-resident. However, if the contract does not include Uzbek VAT, the purchaser must self-assess and pay the VAT, similar to a reverse charge mechanism. VAT paid through either mechanism can be offset against the output VAT charged on sales.

### **Zero rated supplies**

In Uzbekistan, a zero-rated VAT is applied to specific transactions, effectively meaning no VAT is charged. This applies to the export of goods, certain services related to international transportation and transit, and supplies to foreign diplomatic missions. Additionally, services related to processing goods under customs control for export, and specific transactions under production-sharing agreements may also qualify for zero-rated VAT. This mechanism aims to promote exports, facilitate international trade, and uphold international agreements.

### **Exempt supplies**

In Uzbekistan, various supplies are exempt from Value Added Tax (VAT) to support specific sectors and activities. These include educational and healthcare services, religious items and services, products for individuals with disabilities, and services provided by certain non-profit organizations. Additionally, essential public services like pension and benefit payments, public transportation, and housing maintenance are also exempt. Other exempt supplies include cultural artifacts, specific technological equipment, printed materials for libraries and museums, currency and securities, goods funded by international loans, and technical equipment for law enforcement agencies.

### **E-VAT on digital services supplied by non-residents**

In Uzbekistan, electronic services such as online courses, e-books, media streaming, online marketplaces, and databases are subject to a 15% value-added tax (e-VAT). These services are considered supplied in Uzbekistan if purchased by individuals residing or operating within the country. This determination is based on factors such as the buyer's residence, bank account location, network address registration, or phone number country code.

Service providers offering e-services to Uzbek consumers must register as e-VAT payers on the tax authorities' online platform (tax.uz). Registration requires submitting an online application with general company information and supporting documents, such as proof of registration in the country of residence, taxpayer identification, and authorization for the representative handling the registration process. Once registered, service providers are responsible for fulfilling their tax obligations, including paying e-VAT and filing returns.

## 5.5. Personal Income Tax (PIT) and Social Tax

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***ADVIZEN offers advice and support with all aspects of tax compliance for individuals and employers as well as payroll processing. ADVIZEN also provides tax and legal assistance to high-net-worth individuals.***

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### Tax Residency

Generally, individuals are considered residents of Uzbekistan for tax purposes if they are physically present in the country for more than 183 days within a 12-month period that begins or ends in the relevant calendar year. Alternatively, individuals residing in Uzbekistan for less than 183 days but more than in any other country during a calendar year are also considered residents. Those who do not meet these criteria are classified as non-residents for tax purposes.

### Personal Income Tax (PIT)

Both residents and non-residents are subject to PIT in Uzbekistan, with residents taxed on worldwide income and non-residents on Uzbekistan-sourced income only. A flat rate of 12% applies to most income types. Dividends and interest are taxed at 5% for residents and 10% for non-residents. Employers act as withholding agents for local employees, while foreign residents and those with multiple income sources may need to file annual tax returns.

### Social Tax

Employers in Uzbekistan are liable for a 12% social tax on their gross payroll, including income paid to foreign seconded personnel. This tax applies to all income earned by employees

in performing their job duties. Benefits-in-kind are generally exempt from social tax if properly documented.

### Employee Pension Fund Contributions

Employers are required to contribute 0.1% of their local employees' gross income to individual pension accounts. These contributions are deductible from the accrued personal income tax. Foreign citizens without Uzbekistan residence permits are typically exempt from these contributions.

## 5.6. Other Taxes

### Excise Tax

In Uzbekistan, excise tax is levied on the production or import of specific goods (tobacco, alcohol, oil, gas and etc.) and services (telecommunication services). The Tax Code of Uzbekistan outlines the comprehensive list of excisable items and their corresponding tax rates.

### Property Tax

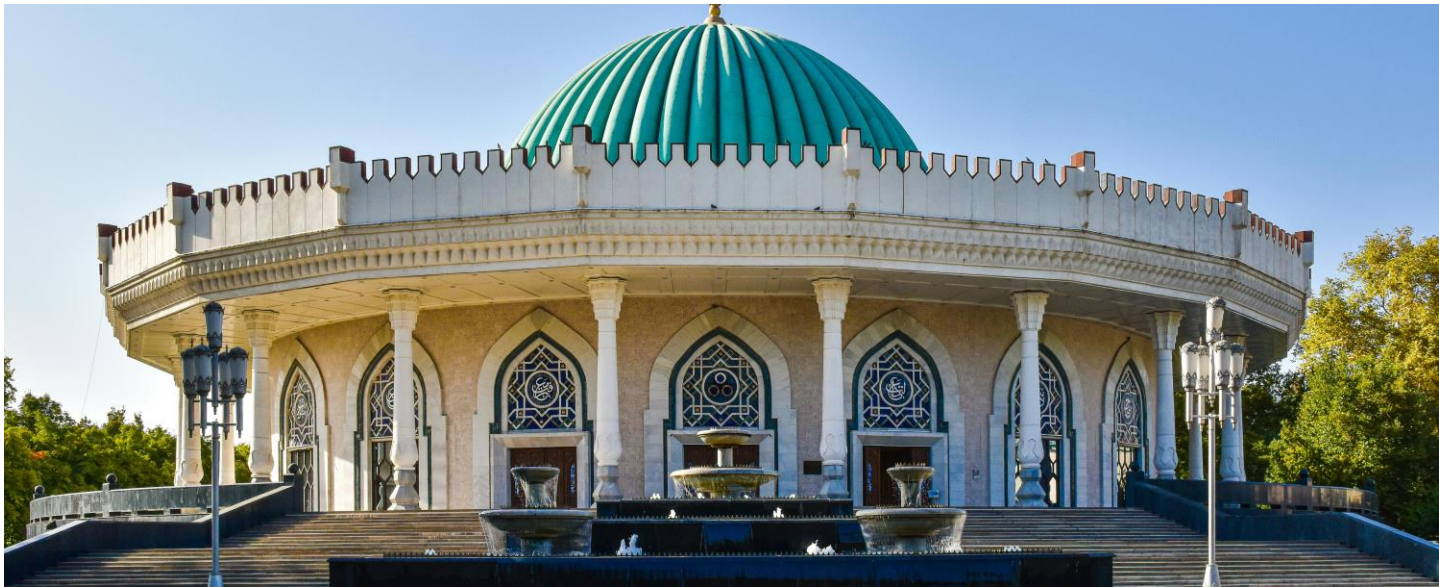
Legal entities, both resident and non-resident, are subject to property tax on the annual average net book value of their immovable assets located in Uzbekistan. This includes properties under financial lease agreements. The standard tax rate is 1.5%, however, certain assets such as unfinished construction projects and inefficiently used properties may incur higher tax rates.

### Land Tax

Land tax is applicable to both resident and non-resident legal entities utilizing land plots within Uzbekistan. The tax is calculated based on a fixed rate per hectare, with the specific rate varying depending on factors such as the location, quality, and intended purpose of the land.

### Water Use Tax

Legal entities engaged in commercial activities that consume water from surface or underground sources are subject to a water use tax. The tax rate for water usage is differentiated based on the source of water and the primary business activity of the taxpayer.



## 5.7. Special Taxes for Subsoil Users

### Special Rental Tax

Uzbekistan imposes a special rent tax on legal entities engaged in the extraction of valuable natural resources within its territory. This tax specifically targets entities involved in the mining of precious metals (such as gold, silver, and platinum), non-ferrous metals (such as copper, zinc, and lead), radioactive metals (such as uranium and thorium), rare earth elements, and hydrocarbons (natural gas, gas condensate, and oil). However, this tax does not apply to entities operating under production sharing agreements.

The basis for calculating this special rent tax is the "rent income" generated by these entities. Rent income is defined as the difference between the revenue earned from selling the extracted resources (excluding VAT and excise tax) and the expenses directly incurred in the extraction process. This tax is only applicable to metals or hydrocarbons that have undergone primary processing and are ready for sale. If a taxpayer further processes these resources, the income from the sale of the processed products, minus further processing and transportation costs, will be considered for tax purposes.

### Subsoil Use Tax

The subsoil use tax is levied on legal and physical entities engaged in the extraction of mineral resources within Uzbekistan, including from technogenic mineral formations. However, individuals involved in artisanal mining of precious metals, under specific legal conditions, are exempt from this tax.

The tax is calculated based on either the volume of extracted minerals or the volume of actual sales, depending on the type of mineral. For instance, the tax base for black, precious, non-ferrous, radioactive metals, and rare earth elements is determined by the sales volume, while for other minerals, it is based on the extraction volume, adjusted for allowable technological losses. These losses are defined as those incurred during extraction and primary processing, including unavoidable remnants, losses in hydrocarbon processing, and gas reinjected into reservoirs for pressure maintenance or extraction.

The tax base is calculated separately for each type of mineral extracted, and it is generally determined based on the weighted average selling price during the tax period. However, for specific cases such as self-consumption or lack of sales, alternative calculation methods are prescribed. For certain

minerals, such as gold, silver, platinum, palladium, copper, zinc, lead, and molybdenum, the tax base is determined using the higher of either the average exchange price or the weighted average selling price.

The tax rates vary depending on the type of mineral extracted, ranging from 2% for iron to 10% for energy resources like oil and gas. Special provisions apply to state-owned enterprises and specific projects, whereas the President of Uzbekistan is entitled to establish increased tax rates. Which also apply to entities acting under product sharing agreements.



## 5.8. Tax Administration

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***ADVIZEN offers comprehensive tax compliance and tax due diligence services to assess in-house tax compliance risks, as well as on-site tax audit support and a full range of tax appeal services.***

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### **Tax Accounting Policy**

Taxpayers are required to have a Tax Accounting Policy, which they may draw up in free form.

### **Tax Reporting**

Taxpayers are responsible for preparing and submitting their tax reports, including calculations and returns, to the tax authority in their area of registration. Typically, businesses and individual entrepreneurs submit these reports electronically through the taxpayer's personal account. To file electronically, companies must obtain an electronic digital key (e-key) for access to the tax authorities' online system.

### **Tax Payments**

Tax payments, encompassing both direct and indirect taxes, are generally made in the local currency through a bank transfer from an Uzbek bank account to the tax authorities' account. However, there might be exceptions for foreign entities without a local presence or bank account. As of January 1st, 2024, the tax authorities have accounts available for USD, EUR, and CHF payments.

Detailed information regarding specific tax reporting deadlines and obligatory payments can be found in Annex 3 below.

### **Offset and Refund**

Overpaid or excessively collected taxes in Uzbekistan can be refunded or offset against future tax liabilities. Offsetting is typically done automatically by tax authorities, while refunds require in practice a written application. Taxpayers have a 5-year window to request refunds, and the tax authority shall provide their decision within 10 days. Note that this process applies only to excess tax payments, not to VAT balances, (for more detailed description of VAT offset rules please refer to section 5.5 above).

## Electronic Invoicing

Electronic invoices (e-invoices) are the digital equivalent of traditional paper invoices. Since 2020, the use of e-invoices has been mandatory in Uzbekistan. There are specialized digital platforms for document management that facilitate the creation, exchange, and storage of e-invoices. Some of the most popular platforms include Didox, E-faktura, and others.

## Tax Audits

Uzbekistan employs three distinct types of tax audits to ensure compliance with tax laws and regulations:

- **Desk Tax Audit:** This type of audit is conducted remotely, based on the analysis of tax returns, financial statements, and other documents submitted by the taxpayer.
- **Field Tax Audit:** This type of audit involves a physical visit to the taxpayer's premises by tax officials. They are typically conducted based on a specific order from the tax authorities and have a limited duration, usually not exceeding ten days.
- **Tax Audit:** This is the most in-depth type of tax audit, focusing on the accuracy of tax calculations and payments over a specified period. Tax audits are generally targeted at taxpayers classified as high-risk. Taxpayers are usually notified at least thirty days before the audit commences, unless there are indications of tax evasion.

Taxpayers are segmented based on their tax risk level, with those deemed high-risk being prioritized for audits while others undergo alternative tax administration measures. The tax authorities analyze various sources of information to assess risk, including tax and financial reports, data from government agencies and foreign authorities, media reports, audit findings, legal proceedings, public complaints, and statistical data.

## Appeals

Taxpayers have the right to appeal against decisions of tax authorities or actions (or inaction) of their officials. Appeals are typically filed first with a higher tax authority (unless the decision being contested was issued by the highest tax authority – the State Tax Committee) and then, if necessary, with a court. Filing an appeal generally suspends the execution of the disputed decision until a resolution is reached.

## Fines and Penalties

Late tax payments in Uzbekistan are subject to interest charges of one three-hundredths (1/300) of the refinancing rate set by the Central Bank of Uzbekistan (approximately 0.047% based on the refinancing rate effective as at 1 January 2024). Tax violations can result in significant penalties, including:

- **Foreign entities operating without registration or late registration leading to a permanent establishment:** 10% of income earned from the start of activities, with a minimum penalty of 10 million UZS (~ 810 USD).
- **Late registration as a VAT payer:** 5% of revenue received between the required registration date and the actual registration date, with a minimum penalty of 5 million UZS (~ 405 USD).
- **Understatement of tax liability:** 20% of the amount of tax that was underreported.
- **Concealment of revenue:** 20% of the amount of revenue that was hidden from tax authorities.
- **Non-compliance with transfer pricing rules:** 40% of the amount of tax that was underpaid due to improper transfer pricing.

In addition to these financial penalties, company officers may face administrative fines for tax offenses, and in certain cases, criminal prosecution may be pursued.

## 5.9. Transfer Pricing (TP)

The Uzbek Tax Code defines a procedure of overseeing the deviation of prices in controlled transactions between related parties from market prices. This also encompasses the broader concept of transfer pricing arrangements, which can influence the financial outcomes of related party transactions.

The Tax Code allows the tax authorities to adjust taxable income in cases where transfer pricing leads to a deviation from market prices, potentially increasing tax liabilities. This adjustment applies to various taxes, including corporate income tax, personal income tax, subsoil use tax, VAT, and excise tax, under specific conditions. The State Tax Committee is responsible for overseeing transfer pricing regulations and conducting relevant tax audits.

## Controlled Transactions

In Uzbekistan, controlled transactions are defined as those conducted between related parties, encompassing a broad range of scenarios. These include transactions exceeding a certain monetary threshold, transactions involving parties with different tax regimes or exemptions, and transactions involving extracted minerals subject to specific tax rates.

Additionally, transactions in the realm of foreign trade are considered controlled if they involve goods from specific categories such as precious metals, fertilizers, or hydrocarbons, or if one party is registered in an offshore jurisdiction. For the full list of offshore jurisdictions please refer to Appendix 2 below.

## Tax Reporting

Taxpayers in Uzbekistan are required to notify tax authorities about controlled transactions they have conducted during a calendar year. Tax authorities have the right to request documentation regarding a specific transaction. Based on the provided documentation, the tax authorities decide on the validity of the applied prices.

Failure to pay or partial payment of tax resulting from the application of transfer pricing rules by the tax authorities entails fines and penalties.

More detailed overview of Transfer Pricing rules can be found in our Transfer Pricing Guide (available on our web-site).



The background of the slide features several pieces of traditional ceramic pottery. In the upper left, a tall, slender vase is decorated with a dense, colorful pattern of small dots and floral motifs. To its right, a large, shallow bowl or plate is visible, also covered in intricate, multi-colored designs. In the foreground, several smaller bowls and vases are scattered, some with bold, swirling patterns and others with more delicate, repeating motifs. The overall aesthetic is that of traditional Middle Eastern or North African pottery. A large, semi-transparent white number '6' is positioned on the right side of the slide, partially overlapping the pottery. A dark horizontal band runs across the middle of the image, containing the text 'LABOR RELATIONS' in white, bold, sans-serif capital letters.

**LABOR  
RELATIONS**

6



## 6.1. Legal Framework

### Applicability and Basic Principles

The Uzbek Labour Code and other labor regulations govern employment relationships for all individuals working in Uzbekistan under employment agreements, regardless of their citizenship status. This includes local and foreign citizens, as well as stateless persons. These regulations also apply to employment relationships within organizations that are fully or partially owned by foreign entities or individuals.

### Form and Content of Employment Agreements

An employment agreement must be established in writing to be legally valid. The terms and conditions within the agreement are determined through mutual consent between the employee and employer, while also adhering to the requirements stipulated in the Labour Code and other relevant labor regulations. These agreements outline the rights and responsibilities of both parties and can be categorized as either fixed-term or indefinite-term contracts.

A fixed-term employment agreement establishes a specific duration for the employment relationship, with a defined end date. In contrast, an indefinite-term agreement does not specify an end date, implying that the employment relationship will continue indefinitely until terminated in accordance with the law or the terms of the agreement.

### Probationary Period

Employment agreements may include a probationary period, which allows both the employee and employer to assess their suitability for the position and working relationship. The standard probationary period is typically three months or less. However, under the new Labor Code (2023), this period can be extended up to six months for specific roles, such as executives, their deputies, chief accountants, and heads of separate subdivisions. During the probationary period, either party can terminate the employment agreement with shorter notice than would be required after the probationary period has ended.

### Unified National Labor System (UNLS)

The Unified National Labor System (UNLS), introduced in 2020, is a digital platform aimed at standardizing and digitizing employment relations in Uzbekistan. It serves as a comprehensive electronic database containing individuals' employment histories, replacing the traditional system of physical "labor books." The UNLS records essential information such as work experience, details of registered employment agreements (including dates, registered numbers, amendments, and terminations), and other relevant data. Importantly, the electronic labor book within the UNLS is now recognized as the primary document for confirming an employee's work history. All employment agreements must be registered in the UNLS to ensure legal compliance and accurate record-keeping.

### New Labor Code (2023) and Key Changes

The enactment of the new Labor Code in 2023 brought about significant changes to the legal framework governing employment relationships in Uzbekistan. The code provides more detailed and comprehensive provisions on various aspects of employment, including the rights and obligations of both employees and employers, protection for specific categories of employees, and the regulation of employment for foreign and stateless individuals.

Some of the key changes introduced by the new Labor Code include:

- **Employer Decision-Making:** In certain situations, employers can now make decisions regarding employment matters without seeking the consent of the trade union, provided that the union fails to respond to the employer's request within 20 days.
- **Job Offers:** The concept of "job offers" has been formally introduced, serving as official invitations to work extended by employers to potential candidates.
- **Competitive Hiring:** Employers are now granted the option to establish competitive hiring processes, allowing for a more transparent and merit-based selection of candidates.
- **Severance Pay:** The calculation of severance pay has been revised, with a differentiated approach based on the length of an employee's service. Employees with longer

service records are entitled to a higher percentage of their average monthly earnings as severance pay.

- **Temporary Assignments (Prikomadirovaniye):** A new system for temporary assignments has been introduced, providing a framework for situations where an employee is temporarily assigned to work for another employer for a defined period.

### Additional Rights and Obligations

The new Labor Code also strengthens the rights and protections of employees while clarifying the obligations of employers.

Some notable additions include:

- **Employer Liability for Late Payments:** Employers are now held financially responsible for delays in making payments to employees, such as salaries, bonuses, vacation pay, and severance pay.
- **Employee Right to Access Documents:** Employees have the right to request and obtain copies of any documents from their personal files held by the employer. Employers are obligated to provide these copies within a reasonable timeframe.
- **Additional Vacation Days:** Employees are now entitled to additional vacation days based on their length of service with the organization, providing an incentive for loyalty and long-term commitment.

- **Rescheduling Rest Days for Holidays:** In cases where public holidays fall on weekends, employees have the right to have a rest day rescheduled to another day, ensuring that they receive the full benefit of their entitled rest periods.

## 6.2. Work Permits

As of 2024, foreign nationals seeking employment in Uzbekistan are required to obtain a work permit, referred to as a "work confirmation," before commencing their work activities. While previous regulations mandated that employers obtain a separate permit to hire foreign labor, this requirement has since been abolished. However, the Uzbekistani government is anticipated to introduce a quota system for hiring foreign personnel in the near future.

The work confirmation, serving as a personal work permit for the foreign employee, is obtained through an application process initiated by the employer. This permit is non-transferable and typically valid for one year, with the possibility of extension. The application process involves submitting the necessary documents to a local Center for Public Services (CPS) or through the online Single Portal of Interactive Public Services (SPIPS). After submission, the application is forwarded to the Agency for External Labor Migration Matters (the "Agency") for review and approval, a process that usually takes 15 days.





## Exemptions

Certain categories of foreign employees are exempt from the work permit requirement. These exemptions include:

- Foreign nationals holding a residence permit in Uzbekistan.
- Foreign investors who have made significant investments in the Uzbekistani economy, exceeding 8,500 times the base calculation amount.
- Employees of Representative Offices (ROs) accredited by the Accreditation Authority (up to five employees).
- Remote workers who do not physically enter Uzbekistan.
- Short-term specialists in the tourism sector (up to 3 months).
- Scientists and cultural figures working under intergovernmental agreements.
- Accredited members of the press.
- Employees of accredited non-governmental organizations (NGOs).
- Teachers and specialists working in designated educational institutions.
- Foreign specialists residing in the IT-Park.

## Categories of Foreign Workers

The work permit application process involves categorizing foreign workers into three groups:

- Highly qualified specialist: This category typically includes individuals who have graduated from internationally

recognized universities and possess extensive experience in their field.

- Qualified specialist: This category generally includes individuals with higher education and several years of experience in their field.
- Ordinary employee: This category encompasses all other foreign workers who do not meet the criteria for the first two categories.

The categorization of the foreign worker determines the state fee associated with the work permit application.

### Privileges for Qualified Foreign Specialists

To attract highly skilled professionals and bolster Uzbekistan's attractiveness for foreign investment, the government offers special provisions for qualified and highly qualified foreign specialists. These individuals can be granted work confirmations valid for up to three years, with the option for unlimited extensions. This policy aims to streamline the hiring and retention of valuable foreign talent in Uzbekistan.

While the current regulatory framework provides a clear pathway for obtaining work permits in Uzbekistan, businesses are advised to stay abreast of upcoming legislative changes, particularly the anticipated introduction of a quota system for foreign personnel.

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*Advizen offers a comprehensive suite of legal, tax, payroll, and work permit services designed to help you efficiently structure your operations from a human resources perspective. Whether your needs are for ad hoc advisory services or complex structuring advice, Advizen is equipped to provide solutions tailored to your requirements.*

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# CUSTOMS REGIME

## 7.1. Legal Framework and Core Concepts

### Legal Framework

The customs regime in Uzbekistan is founded on the Customs Code, which outlines the fundamental rules for import, export, and transit. Numerous by-laws and regulations provide detailed guidance on procedures, documentation, and technical aspects, creating a comprehensive legal framework for international trade.

The Customs Code is expected to undergo further revisions, these revisions may address emerging challenges, such as e-commerce and digital trade.

### Customs Territory

The geographical expanse where Uzbek customs laws hold jurisdiction. This encompasses the entirety of Uzbekistan's landmass, territorial waters (extending 12 nautical miles from the coast), and the airspace above. Notably, specialized zones like free customs zones and free warehouses are considered outside this territory for specific customs purposes, allowing for unique regulatory frameworks within these designated areas.

### Customs Regimes

The Customs Code of Uzbekistan outlines 16 distinct customs regimes, each tailored to specific purposes and scenarios for the movement of goods across the border. These regimes determine the legal status of goods, the applicable customs duties and taxes, and the permissible activities that can be carried out with the goods while they are under customs control. Some of the most important customs regimes include:

- **Import for Free Circulation:** This regime allows goods to be imported into Uzbekistan permanently for domestic consumption or use. It requires the payment of applicable customs duties and taxes.
- **Export:** This regime governs the permanent export of goods from Uzbekistan to other countries.
- **Temporary Import/Export:** These regimes allow goods to be brought into or taken out of Uzbekistan temporarily for specific purposes, such as exhibitions, repairs, or

processing. They often involve conditional relief from customs duties and taxes.

- **Transit:** This regime facilitates the movement of goods through Uzbekistan to another destination. It aims to expedite the transit process while ensuring compliance with customs regulations.
- **Processing:** These regimes (inward and outward processing) allow goods to be imported for processing and subsequent re-export or exported for processing and subsequent re-import.

Customs legislation also provides other regimes such as Re-import/Re-export, Temporary Storage, Customs Warehouse, Duty-Free Trade, Destruction, Abandonment in Favor of the State and etc.

### Free Customs Warehouses

Free customs warehouses are specialized facilities where goods can be stored under customs control without being subject to customs duties and taxes. They offer businesses a duty-free environment to store goods, perform value-added operations like repackaging and sorting, and postpone duty payments until goods are withdrawn. However, operating such a warehouse requires a license from customs authorities and strict adherence to regulations.

### Types of Customs Fees

For goods moved across the customs border of Uzbekistan, there are obligations to pay customs payments, which include the following (if applicable):

- Customs Duties;
- Value Added Tax (VAT);
- Excise Tax;
- Customs Processing Fees.

## Origin of Goods

The origin of goods is crucial for determining applicable customs duties and preferential treatment. Uzbekistan follows the "sufficient processing" criteria, which means the goods must undergo substantial transformation in the country of origin to be considered originating from that country. This can involve changes in the Harmonized System (HS) code classification or a significant increase in value due to processing.

## Intellectual Property Protection

The Customs Code also provides for the protection of intellectual property rights (IPR). Customs authorities can suspend the release of goods suspected of infringing on trademarks, copyrights, or patents. IPR holders can register with the Customs Registry to enhance protection of their rights.

## Restrictions and Licensing

While Uzbekistan generally promotes free trade, certain goods are subject to restrictions or licensing requirements. This includes items such as weapons, radioactive materials, precious metals, and certain natural resources. Export contracts for specific goods may also require registration with the Ministry of Investments and Foreign Trade.

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*Advizen provides a wide range of customs and trade compliance services to help you navigate the complexities of importing and exporting goods in Uzbekistan. Our services ensure that your operations comply with all relevant customs regulations and trade laws. Our team is dedicated to assisting you with customs declarations, tariff classifications, compliance audits, and risk assessments, ensuring a smooth and compliant customs process for your business.*

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## 7.2. Duties, Exemptions and Fees

### Customs Duties

The Decree of the President of Republic of Uzbekistan №3818 dated 29.06.2018, introduces a structured approach to customs duties, with specific rates for goods based on their value. Categories of goods that typically have a 0% rate include essential items like medical supplies and basic foodstuffs. In contrast, luxury goods and non-essential items are subject to higher customs rates to regulate their import and protect domestic industries.

### International Trade Agreements

Uzbekistan has also established international trade agreements, featuring two key categories: preferential trade agreements and free trade agreements. The preferential trade agreements offer reduced tariffs and beneficial terms to specific countries, enhancing trade relationships and economic cooperation. Significant economies enjoying preferential status include China, India, and Turkey, among others, making it more cost-effective for these countries to trade with Uzbekistan. For the full list please refer to the Appendix 4 below.

The second category provides a list of countries with free trade agreements which essentially eliminate tariffs on most goods. The free trade zone is predominantly established for countries from the Commonwealth of Independent States (CIS), such as Russia, Kazakhstan, and Belarus.

### Customs Processing Fees

The fee for customs clearance of goods for the application of any customs regime (including import and export regime) ranges from 1 to 75 BSV (~ 27.5 – 2,065 USD), depending on the customs value of the imported goods. In addition, a payment of 2 BSV (~ 55 USD) is introduced for customs clearance of goods outside the working hours of the customs authorities (i.e. from 18:00 to 9:00 and weekends, holidays).





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## 8.1. Banking System

Uzbekistan's banking system consists of the Central Bank and 33 commercial banks. The sector is dominated by state-owned banks, which hold the majority of capital and assets. The government has embarked on a five-year strategy to reform the banking sector, aiming to reduce the state's share to 40% and increase the market share of the non-banking sector. By 2025, the government plans to privatize shares in six banks and modernize services in remaining state-owned banks.

Despite the dominance of state-owned banks, the banking sector is considered stable due to the substantial volume of state-led investments. However, rapid lending growth, high dollarization, and increased reliance on external funding pose potential risks. The non-performing loan ratio is relatively low, and most commercial banks have received stable ratings from international agencies. The Central Bank maintains a robust regulatory framework and closely monitors commercial banks.

## 8.2. Banking Regulations

The Central Bank of the Republic of Uzbekistan (CBU) oversees the banking sector, with a mandate to license and regulate all banking operations. International financial institutions also operate in Uzbekistan, providing financing to local businesses. The minimum charter capital requirement for banks is 100 billion UZS (~ 8,100,000 USD). Foreign banks and financial institutions with strong investment ratings can establish subsidiary banks or acquire stakes in local banks, subject to specific requirements. Non-financial foreign entities face additional criteria.

The government is actively engaged in the privatization of at least six local banks, aiming to reduce state ownership, enhance competition, and modernize the banking sector.



### 8.3. Currency Regulations

Uzbekistan's currency law offers flexibility for cross-border transactions, allowing parties to utilize their preferred currency. However, transactions within the country are generally restricted to the national currency, the soum (UZS), with specific exceptions.

Legal entities typically have the authority to purchase foreign currency from commercial banks to fulfill obligations related to international transactions. These encompass a range of activities, including importing goods and services, repatriating profits and dividends, repaying loans, covering travel expenses, and facilitating certain non-commercial transfers. Individuals are also usually permitted to buy and sell foreign currency at banks, subject to certain limitations.

Historically, the conversion of local currency into foreign currency was tightly regulated in Uzbekistan. However, a significant shift occurred with the issuance of Resolution No. 3281 by the Central Bank in August 2020. This resolution streamlined the process by enabling local banks to directly facilitate foreign currency sales to their clients. Resident companies now have the option to purchase foreign currency through the over-the-counter market via their servicing bank or directly from the bank itself. To initiate this process, legal entities are required to provide documentation that substantiates the purpose of the currency conversion, such as a supply contract with a foreign company. Importantly, the acquired foreign currency must be utilized within seven days for payment under the contracts it was intended for; otherwise, the bank will convert it back to local currency.

The Currency Law plays a central role in governing foreign currency operations and control in Uzbekistan. As a general rule, pegging contract prices to foreign currency is prohibited. However, notable exceptions exist for projects operating under Public-Private Partnership (PPP) agreements or investment agreements involving foreign investments. In these specific cases, contract prices may be pegged to foreign currency if approved by the relevant presidential decree. This exception offers greater flexibility for such projects, allowing for the utilization of foreign currencies in pricing mechanisms.

### 8.4. Capital Markets

Uzbekistan's capital market is undergoing a transformative phase, transitioning from a focus on technology transfer and employment to fostering portfolio investment. The government has established a dedicated Department for Capital Market Development within the Ministry of Finance and is actively working on a new Law on Capital Market with the support of the U.S. Department of the Treasury. The Republican Stock Exchange "Tashkent" serves as the primary platform for securities trading, primarily featuring equity and secondary market transactions in state-owned enterprises.

The government has made significant strides in liberalizing currency operations and simplifying capital repatriation. Foreign investors with resident entities in Uzbekistan can freely convert dividends and other income into foreign currencies and transfer them to their accounts abroad. Non-resident entities engaged in local stock market transactions can open accounts in Uzbekistan to accumulate revenues. While access to various credit instruments is available, the financial system remains under development, resulting in less competitive credit terms.





The background features a photograph of a mosque. The upper portion shows two large, green-tiled domes against a dark sky. The lower portion shows a wall with intricate, colorful geometric tilework in shades of blue, green, and brown. A large, semi-transparent white letter 'Q' is overlaid on the right side of the image.

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## Contact information

For more information on how ADVIZEN can help you find your bearings in Uzbekistan's tax and legal and business terrain, please contact us:

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# APPENDIX



## Appendix 1. International Taxation Treaties of Uzbekistan

| Country                     | Dividends | Interest | Royalties  |
|-----------------------------|-----------|----------|------------|
| <b>Non-treaty countries</b> | 10        | 10       | 20         |
| <b>Austria</b>              | 5/15 (a)  | 10       | 5          |
| <b>Azerbaijan</b>           | 10        | 10       | 10         |
| <b>Bahrain</b>              | 8         | 8        | 8          |
| <b>Belarus</b>              | 15 (k)    | 10       | 15         |
| <b>Belgium</b>              | 5/15 (a)  | 10       | 5          |
| <b>Bulgaria</b>             | 10        | 10       | 10         |
| <b>Canada</b>               | 5/15 (a)  | 10       | 5/10 (e)   |
| <b>China</b>                | 10        | 10       | 10         |
| <b>Czech Republic</b>       | 5/10 (b)  | 5        | 10         |
| <b>Egypt</b>                | 5/10 (b)  | 10       | 12         |
| <b>Estonia</b>              | 5/10 (b)  | 5        | 10         |
| <b>Finland</b>              | 5/15 (a)  | 5        | 0/5/10 (f) |
| <b>France</b>               | 5/10 (a)  | 0/5 (d)  | 0          |
| <b>Georgia</b>              | 5/15 (b)  | 10       | 10         |
| <b>Germany</b>              | 5/15 (b)  | 5        | 3/5 (g)    |
| <b>Greece</b>               | 8         | 10       | 8          |
| <b>Hungary</b>              | 10        | 10       | 10         |
| <b>India</b>                | 10        | 10       | 10         |
| <b>Indonesia</b>            | 10        | 10       | 10         |
| <b>Iran</b>                 | 8         | 10       | 5          |
| <b>Ireland</b>              | 5/10 (a)  | 5        | 5          |
| <b>Israel</b>               | 10        | 10       | 5/10 (h)   |
| <b>Italy</b>                | 10        | 5        | 5          |
| <b>Japan</b>                | 5/10 (b)  | 5        | 0/5 (i)    |
| <b>Jordan</b>               | 7/10 (b)  | 10       | 20         |
| <b>Kazakhstan</b>           | 10        | 10       | 10         |
| <b>Kuwait</b>               | 5/10 (b)  | 8        | 20         |

| Country                     | Dividends | Interest  | Royalties |
|-----------------------------|-----------|-----------|-----------|
| <b>Kyrgyzstan</b>           | 5         | 5         | 15        |
| <b>Latvia</b>               | 10        | 10        | 10        |
| <b>Lithuania</b>            | 10        | 10        | 10        |
| <b>Luxembourg</b>           | 5/15 (b)  | 10        | 5         |
| <b>Malaysia</b>             | 10        | 10        | 10        |
| <b>Moldova</b>              | 5/15 (a)  | 10        | 15        |
| <b>Netherlands (I)</b>      | 5/15 (b)  | 10        | 10        |
| <b>Oman</b>                 | 7         | 7         | 10        |
| <b>Pakistan</b>             | 10        | 10        | 15        |
| <b>Poland</b>               | 5/15 (c)  | 10        | 10        |
| <b>Qatar (m)</b>            | n/a       | n/a       | n/a       |
| <b>Romania</b>              | 10        | 10        | 10        |
| <b>Russia</b>               | 10        | 10        | 10        |
| <b>Saudi Arabia</b>         | 7         | 7         | 10        |
| <b>Singapore</b>            | 5         | 5         | 8         |
| <b>Slovak Republic</b>      | 10        | 10        | 10        |
| <b>Slovenia</b>             | 8         | 8         | 10        |
| <b>South Korea</b>          | 5/15 (b)  | 5         | 2/5 (j)   |
| <b>Spain</b>                | 5/10 (b)  | 5         | 5         |
| <b>Switzerland</b>          | 5/15 (c)  | 0/5 (d)   | 5         |
| <b>Tajikistan</b>           | 5/10 (b)  | 10        | 10        |
| <b>Thailand</b>             | 10        | 10/15 (k) | 15        |
| <b>Turkey</b>               | 10        | 10        | 10        |
| <b>Turkmenistan</b>         | 10        | 10        | 10        |
| <b>Ukraine</b>              | 10        | 10        | 10        |
| <b>United Arab Emirates</b> | 5/15 (b)  | 10        | 10        |
| <b>United Kingdom</b>       | 5/10 (a)  | 5         | 5         |
| <b>Vietnam</b>              | 10        | 10        | 20        |

- (a) The reduced rate applies when the dividends' beneficial owner is a company owning at least 10% of the dividend payer.
- (b) The reduced rate applies when the dividends' beneficial owner is a company owning at least 25% of the dividend payer.
- (c) The reduced rate applies when the dividends' beneficial owner is a company owning at least 20% of the dividend payer.
- (d) The 0% rate applies to interest on government-backed loans, sales on credit of industrial/commercial equipment or merchandise, and bank loans.
- (e) The 5% rate applies to royalties for certain cultural works (with exceptions) and for the use of computer software, patents, or industrial/commercial/scientific know-how (with exceptions).
- (f) The 0% rate applies to royalties for using computer software, patents, designs, models, or plans. The 5% rate applies to royalties for secret formulas/processes or industrial/commercial/scientific know-how. The 10% rate applies to royalties for trademarks or certain cultural works.
- (g) The 3% rate applies to royalties for using copyrights of scientific works, patents, trademarks, designs, models, plans, or secret formulas/processes, as well as for disclosing industrial/commercial/scientific knowledge. The 5% rate applies to royalties for certain cultural works.
- (h) The 5% rate applies to royalties for certain cultural works (with exceptions).
- (i) The 0% rate applies to royalties for using copyrights of literary, artistic, or scientific works, including motion picture films.
- (j) The 2% rate applies to royalties for using industrial, commercial, or scientific equipment.
- (k) The domestic withholding tax rate for dividends and interest in Uzbekistan is 10%. Therefore, the 15% withholding tax rate for dividends and interest under treaties does not apply to payments by Uzbek companies.
- (l) The Netherlands-Uzbekistan double tax treaty's Protocol allows for a potential reduction of withholding tax rates to zero under certain conditions.
- (m) On June 6, 2023, Uzbekistan and Qatar signed an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and property. The official text and specific rates are not yet public. Ratification by both parties is required for the agreement to enter into force.





## Appendix 2. List of offshore jurisdictions under Uzbek legislation

Approved by Decree No. 2467 of the State Tax Committee, State Customs Committee and Central Bank directors of 12 June 2013 (as amended on 12 October 2020):

- 1) American Samoa
- 2) Andorra
- 3) Antigua and Barbuda
- 4) Aruba
- 5) Bahamas
- 6) Barbados
- 7) Belize
- 8) Brunei Darussalam
- 9) Vanuatu
- 10) United Kingdom of Great Britain and Northern Ireland (only with regard to the following areas):
  - a. Anguilla
  - b. Bermuda Islands
  - c. British Virgin Islands
  - d. Montserrat
  - e. Gibraltar
  - f. Chagos Island
  - g. Pitcairn Islands
  - h. South Georgia and South Sandwich Islands
  - i. Turks and Caicos Islands
  - j. Cayman Islands
  - k. Channel Islands (Guernsey, Jersey, Sark, Alderney)
  - l. Isle of Man
- 11) Grenada
- 12) Guatemala
- 13) Djibouti
- 14) Dominican Republic
- 15) Dominica
- 16) Cyprus
- 17) People's Republic of China, only with regards to:
  - a. Siangan (Hong Kong)
  - b. Aomyn (Macao)
- 18) Costa Rica
- 19) Cook Islands (New Zealand)
- 20) Liberia
- 21) Lebanese Republic
- 22) Liechtenstein
- 23) Mauritius
- 24) Malaysia (only with regard to Labuan Island)
- 25) Maldives
- 26) Malta
- 27) Marshall Islands
- 28) Monaco
- 29) Nauru
- 30) Netherlands Antilles
- 31) Niue (New Zealand)
- 32) Panama
- 33) Republic of Kiribati
- 34) Republic of Portugal (only with regards to Madeira Islands)
- 35) Samoa
- 36) San Marino
- 37) Seychelles
- 38) Saint Kitts and Nevis
- 39) Saint Lucia
- 40) Saint-Martin Island
- 41) Saint Vincent and the Grenadines
- 42) United States of America (only with regard to the following areas):
  - a. US Virgin Islands
  - b. Puerto Rico
  - c. Wyoming State
  - d. Delaware State
- 43) Tonga
- 44) Fiji
- 45) France (only with regard to the following areas):
  - a. Kerguelen Islands
  - b. French Polynesia
- 46) Sri Lanka
- 47) Jamaica
- 48) Uruguay
- 49) Palau (Pacific Ocean)
- 50) Philippines

### Appendix 3. Table of tax rates and reporting deadlines.

| Tax Type                          | Tax Base  | Tax Rates   | Reporting Deadlines   |
|-----------------------------------|---|---|---|
| <b>Corporate Income Tax (CIT)</b> | Net income = Aggregate income less Deductible expenses  | <b>15%</b><br><i>20% for banks, retail markets, mobile operators and producers of polyethylene granules</i>   | <p>Reports are filed and payments are made monthly before 20<sup>th</sup> day of the month following the reporting quarter.</p> <p>Final reports are filed and payments are made not later than the 1<sup>st</sup> March of the year following the reporting one.</p> <p>Advance payments are due for taxpayers with annual turnover for the previous tax period exceeding 5 billion UZS (~ 405,000 USD).</p> |
| <b>Value Added Tax (VAT)</b>      | <p>Turnover derived from the sale of goods and services (including imports) in Uzbekistan (based on place of supply rules), unless they are zero-rated or specifically exempt.</p> <p>VAT payable to the budget is generally determined as output VAT charged less allowed input VAT paid on operating and capital expenditure used for the purposes of taxable turnover.</p> | <b>15%</b><br><i>0% is generally applied for export operations</i>  | <p>Reports are filed and payments are made monthly, not later than 20<sup>th</sup> day of the month following the reporting month.</p> <p>Please note that reports are prepared on a monthly basis, not cumulative.</p>   |
| <b>Withholding Tax (WHT)</b>      | Income paid to foreign legal entity (non-resident) - source criterion   | <p><b>10%</b> for dividends, interests, insurance premiums</p> <p><b>6%</b> for transportation and telecommunication</p> <p><b>20%</b> for other services, royalties and etc.</p> | <p>Reports are filed not later than 20<sup>th</sup> of the month following the reporting month, in which payment was made.</p> <p>Payment is due not later than the next day after the date of income payment.</p>  |
| <b>Property tax</b>               | <p>Average annual net book value / average annual value of immovable property depending on its type.</p> <p>The average annual net book value of taxable items is determined on an accrual basis as one twelfth of the sum of residual values of taxable items as of the last day of each month of the tax period.</p>  | <b>1.5%</b><br><i>reduced / double rates may apply</i>  | <p>Advance reports are filed before 10<sup>th</sup> January of the reporting year.</p> <p>Advance payments are made before 10<sup>th</sup> day of each month in the amount of 1/12 of the annual amount of property tax.</p> <p>Reports are filed and payments are made within the annual statutory deadlines established for financial reporting.*</p>   |
| <b>Social tax</b>                 | Amount of gross employment income payable to staff – salary income, relocation compensation, different allowances, vocation allowance, bonuses, holiday bonuses, overtime charges, etc.   | <b>12%</b>  | <p>Reports are filed and payments are made before the 15<sup>th</sup> of the month following the reporting month.</p> <p>Final reports are filed, and payments are made within the statutory deadlines established for financial reporting.</p>   |

|   |   |  |  |
|---|---|--|--|
| <p><b>PIT</b><br/><i>(withheld as an agent)</i></p> | <p>Income paid to employees, including employment income, property income, in-kind income and other types of income.</p>  | <p><b>12%</b></p>  | <p>Reports are filed before the 15<sup>th</sup> of the month following the reporting month.</p> <p>Final reports are filed within the statutory deadlines established for financial reporting.</p> <p>Payments are made along with submission of the documents for salary withdrawal to the bank, but not later than the filing deadlines.</p>   |
| <p><b>Land tax</b></p>                              | <p>Total area of land plot less specifically tax exempt areas, i.e. land plots allotted for geological exploration and (or) survey work.</p>  | <p>Tax Code establishes the base rates, which vary depending on location, type / quality of land, etc.</p> <p>Actual rates are determined with the use of multiplication coefficient established by the deputies of regions, cities and districts on an annual basis. The coefficients also vary depending on location, type / quality of land, and may range from 0,5 to 3.0</p> <p>Base rates for legal entities range from <b>36 million to 271 million UZS</b> (~ 2,900 – 22,000 USD) per hectare</p> <p>Base rates for individuals range from <b>320 to 1,577 UZS</b> (~ 0.03 – 0.13 USD) per m<sup>2</sup></p> | <p>Report is submitted before (i) 10<sup>th</sup> January of the current tax period (year) for non-agricultural land and (ii) 1<sup>st</sup> May for agricultural land.</p> <p>Payments should be made in equal installments before 10th day of each month in the amount of 1/12 of the annual amount of land tax.</p>   |
| <p><b>Water use tax</b></p>                         | <p>Volume of consumed water for commercial activities.</p> <p>The volume of water is determined based on the readings of water measuring devices, reflected in the documents of accounting (primary).</p> <p>When using water without measuring devices, its volume is determined based on the limits of water intake from technological and sanitary standards for water consumption.</p>  | <p>Rates of tax per cubic meter:</p> <p><b>from 100 to 34,160 UZS</b> (~0.008 – 2.77 USD) for both surface and underground sources</p>   | <p>Advance reports are filed before 20<sup>th</sup> January of the reporting year.</p> <p>Tax reports are filed within the statutory deadlines established for financial reporting.</p> <p>For legal entities with amount of water use tax exceeding 200 times BSV (~5,500 USD) payments are made each month in the amount of 1/12 of the annual tax charge before 20<sup>th</sup> day of the month.</p> <p>For others, payments are made each quarter in the amount of 1/4 of the annual tax charge before 20<sup>th</sup> day of the third month of the reporting quarter.</p> |
| <p><b>Subsoil use tax</b></p>                       | <p>Value of the volume of extracted mineral, calculated at the weighted average selling price ("WASP") for the reporting period.</p> $WASP = \frac{\text{Sales volume (monetary)}}{\text{Sales volume (physical)}}$ <p>In the absence of the sale of minerals in the reporting period, the tax base is determined on the basis of the weighted average selling price of the mineral for the last reporting period in which the sale took place.</p> | <p><b>10%</b> for oil, natural gas, condensate</p> <p><b>7%</b> for gold, silver, palladium and etc.</p> <p><b>8%</b> for uranium, thorium, radium</p>   | <p>The tax period is a calendar year and a reporting period is a month. Tax reporting is submitted to the tax authorities at the place of tax accounting no later than the 20th day of the month following the reporting period, and at the end of the year - on time for the submission of annual financial statements.</p> <p>The subsoil tax has to be paid monthly no later than the 20th day of the next month, and at the end of the year - no later than the deadline for submission of annual financial statements.</p>  |

## Appendix 4. List of countries with Most-Favored-Nation and Free-Trade Agreements

### Most-Favored-Nation Agreements:

- 1) Republic of Austria
- 2) Islamic Republic of Afghanistan
- 3) People's Republic of Bangladesh
- 4) Kingdom of Belgium
- 5) Republic of Bulgaria
- 6) Federative Republic of Brazil
- 7) United Kingdom of Great Britain and Northern Ireland
- 8) Hungary
- 9) Socialist Republic of Vietnam
- 10) Federal Republic of Germany
- 11) Republic of Greece
- 12) Kingdom of Denmark
- 13) Arab Republic of Egypt
- 14) State of Israel
- 15) Republic of India
- 16) Republic of Indonesia
- 17) Ireland
- 18) Kingdom of Spain
- 19) Republic of Italy
- 20) Hashemite Kingdom of Jordan
- 21) Republic of Cyprus
- 22) Republic of Korea
- 23) People's Republic of China
- 24) Republic of Latvia
- 25) Republic of Lithuania
- 26) Republic of Malta
- 27) Grand Duchy of Luxembourg
- 28) Kingdom of the Netherlands
- 29) Portuguese Republic
- 30) Islamic Republic of Pakistan
- 31) Republic of Poland
- 32) Republic of Slovenia
- 33) Romania
- 34) Slovak Republic
- 35) Republic of Singapore
- 36) United States of America
- 37) Republic of Turkey
- 38) Republic of Finland
- 39) French Republic
- 40) Republic of Croatia
- 41) Czech Republic
- 42) Kingdom of Sweden
- 43) Swiss Confederation
- 44) Republic of Estonia
- 45) Japan
- 46) Kingdom of Saudi Arabia
- 47) Malaysia

### Free-Trade Agreements:

- 1) Republic of Belarus
- 2) Republic of Georgia
- 3) Republic of Kazakhstan
- 4) Kyrgyz Republic
- 5) Republic of Moldova
- 6) Russian Federation
- 7) Turkmenistan
- 8) Ukraine
- 9) Republic of Tajikistan
- 10) Republic of Azerbaijan



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