

Uzbekistan: Changes in Tax and Labor Law

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Uzbekistan's mission statement



“Our most important task is to create comfortable and decent conditions for entrepreneurship, livelihoods and recreation of people”

“I guarantee reliable protection of all foreign investments, inviolability of their property and free transfer of profits”

~ **Shavkat Mirziyoyev**

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The Development Strategy for 2017–2021

It is envisaged that a separate state program for the implementation of initiatives in five reform areas will be approved yearly



Development of state governance



Rule of law & legal reforms



Development and liberalization of economy



Development of social sphere













Security, religious tolerance and interethnic harmony, foreign policy


The areas where priority is given to attracting investments

What's been achieved so far?

Key directions for reforms

Status

100%		Currency regulation	<ul style="list-style-type: none"> • Liberalization of the foreign exchange market • Further steps to liberalize monetary policy 	
84%		Legal environment	<ul style="list-style-type: none"> • Improvement of legal framework in various areas of law: e.g. land allocation; stock exchange transformation; systematization of control procedures; enforcement of property rights; strengthening of fair competition; etc. 	
45%		Customs regulation	<ul style="list-style-type: none"> • Unification and decrease of customs tariffs • Simplification of customs administration processes 	
35%		Tax system	<ul style="list-style-type: none"> • Reduction of tax burden • Elimination of complex and unfair procedures 	
38%		Reform of State governance	<ul style="list-style-type: none"> • Efficiency improvement for state bodies to eliminate inconsistencies; decrease bureaucracy • Implementation of eGov system 	

 Share of investors citing the barrier as critical (based on interviews with internal and external investors)

Source: investor interviews



Implementation progress

Main Tax Code Changes in 2019



- Simplified Tax Payment (**STP**) Regime (tax from Revenue or Turnover)



- **STP Regime** until 1st January 2019:
 - Could be applied to SMEs only;
 - *Small Enterprises – from 1 – 20 employees*
 - *Medium Enterprises – from 21 – 50 employees*
 - *Size depended on type of business*
- **STP Regime** starting 1st of January:
 - CAN be applied on any type of companies:
 - *With an annual turnover of LESS than UZS 1 bln (EUR 110K)*
 - *They are VAT exempt;*
 - *SMEs with annual turnover of LESS than EUR 330K, can apply Simplified VAT without deductions;*
 - *STP rates are according to corresponding business types;*

Main Tax Code Changes in 2019



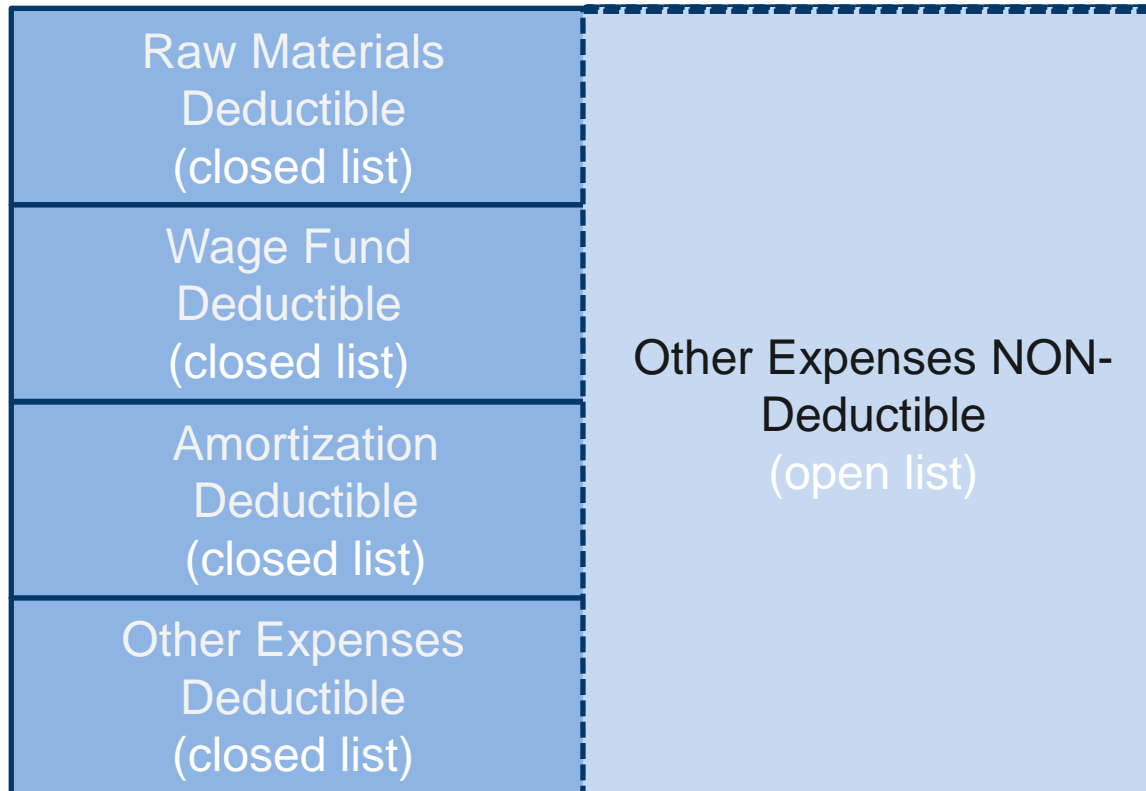
- Simplified Tax Payment (**STP**) Regime



- **CTP Regime** starting 1st of January 2019 IS applied on SMEs:
 - With an annual turnover EQUAL to or MORE than **UZS 1 bln** (EUR 110K);
 - Subject to **20% VAT** payments, with subtractability of already paid VAT on expenses;
 - Most Income Tax Rates are down from 14% to 12% (except banks, and mobile phone operators with 20%)

Main Tax Code Changes in 2019

Classification of expenses deductible/non-deductible from Revenue **before** 2019



Main Tax Code Changes in 2019

Classification of expenses deductible/non-deductible from Revenue **since** 2019

Raw Materials Deductible (closed list)	Other Expenses NON- Deductible (closed list of 18 expense types)
Wage Fund Deductible (closed list)	
Amortization Deductible (closed list)	Deductible (open list) Added to the list of NON-deductibles <ul style="list-style-type: none"> - Non-residents' Taxes - Additional taxes paid upon inspection - Expenses not related to main activity
Other Expenses Deductible (open list)	

Main Tax Code Changes in 2019

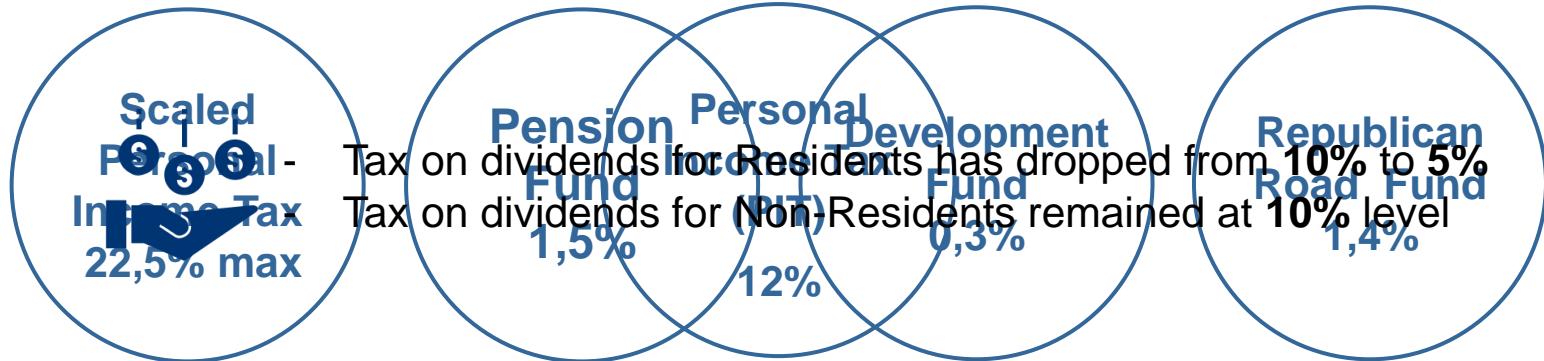
Removal of restrictions on certain types of deductible from revenue expenses

Until 2019	From 2019
Representation Expenses	
Not exceeding 1% of revenue	Unlimited
Daily allowances	
Not exceeding limits set by Law	Unlimited
Voluntary insurance Premium	
Not exceeding 2% of revenue	Unlimited

Main Tax Code Changes in 2019



- Simplification of Taxation System of individuals



- Property and Land Tax for Legal Entities has been decreased from **5%** to **2%** from 2019

Foreign Labor in Uzbekistan

General regime for importation of foreign labor



- A foreign citizen can be employed in Uzbekistan only if:
 - Foreigner has obtained the **Individual Work Permit (IWP)**
 - Resident legal entity has acquired the **Corporate Permit for Recruiting Foreign Labor (CP)**
- Regulatory Authority in Uzbekistan to issue IWP and CP:
 - **Agency on Foreign Labor Migration** under the Ministry of Employment and Labor Relations of the Republic of Uzbekistan

HQS and
QS

Newly adopted Decree of Cabinet of Ministers of Uzbekistan

According to Decree No 244 as of 25.03.2019:

- **Highly Qualified Specialists** with Diploma from institution that's included into 1000 well known rating category, 5-year experience and at least 60.000 USD annual salary
- **Qualified Specialists** with 5-year experience and with annual income of at least 30.000 USD

Foreign Labor in Uzbekistan

Corporate Permit for Recruiting Foreign Labor

- The Agency on Foreign Labor Migration upon submission of all relevant documents will decide whether to issue an Employer the permission to attract foreign specialists.
- Once approved, **50 x MMW ~ 1200 USD** fee is paid

Individual Work Permit

- In order to protect local labor market from non professional foreign labor invasion, but facilitate inflow of HQS and QS, the Agency has implemented the following fees for IWP:
 - HQS pays ~ **24,00 USD**
 - QS pays ~ **48,00 USD**
 - Expatriates ~ **48,00 USD**
 - Other foreigners ~ **720,0 USD**



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