

# International Tax

## Uzbekistan Highlights

In Plain English



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## Investment basics:

**Currency** – Uzbekistani Soum (UZS)

**Foreign exchange control** – Payments within Uzbekistan must be made in the national currency. Certain transactions may be subject to the Central Bank’s notification or registration regime. Restrictions on the removal of foreign currency cash from the country by individuals depend on whether the individual is a resident or nonresident, and, for nonresidents, whether the amount exceeds the cash amount brought into Uzbekistan. The Central Bank and authorized banks are the only legal entities that may bring in or take out foreign currency cash or national currency.

### **Accounting principles/financial statements**

– National Accounting Standards (NAS) or International Financial Reporting Standards (IFRS) apply. Financial statements must be filed annually.

**Principal business entities** – These are the joint stock company, limited liability company, partnership and representative office of a foreign organization.

## Corporate taxation:

**Residence** – An entity is resident in Uzbekistan if it has completed the state registration procedure in Uzbekistan.

**Basis** – Resident companies are subject to corporate income tax on their worldwide income. Nonresidents generally are taxed only on Uzbekistan-source income.

Enterprises with annual turnover of less than UZS 1 billion are eligible to use a simplified tax regime under which a “unified tax” is payable on gross revenue.

Mining operations and related processing are subject to a mining tax and an excess profits tax (for specified items) and special fees (a “subscription bonus,” which is a one-time fixed payment for exploration and extraction rights and a “commercial

exploration bonus,” which is payable for each commercial exploration of a location).

**Taxable income** – Taxable income is comprised of business profits and other income and is calculated as the difference between total income and deductible expenses. In general, expenses and deductions are allowable if they are wholly and exclusively incurred for business-related purposes and if they are substantiated by supporting source documentation.

**Taxation of dividends** – Dividends received are not included in the taxable base but they are subject to withholding tax.

**Capital gains** – Capital gains are taxed at the standard corporate income tax rate.

**Losses** – Losses may be carried forward for five years (except for losses incurred during a period when the taxpayer was exempt from tax). However, the aggregate amount of losses that may be utilized in each subsequent year may not exceed 50% of the taxable income for that period. The carryback of losses is not permitted.

**Rate** – The standard income tax rate is 12% as from 1 January 2019 (reduced from 14%). A 20% rate (reduced from 22%) applies to banks and mobile operator companies.

The standard unified tax rate is 4%, although the rate is different for certain industries and is lower for companies established in remote regions.

**Surtax** – No

**Alternative minimum tax** – An alternative tax applies mainly to private entrepreneurs with annual turnover of less than UZS 100 million. The rates are fixed in UZS on a monthly basis and depend on the activity and location of the taxpayer, and the tax ranges from UZS 100,000 up to UZS 1,000,000.

**Foreign tax credit** – Foreign income tax

paid by an Uzbek resident company may be credited against Uzbek income tax in accordance with an applicable tax treaty. A payment notification, a certificate issued by the foreign tax authorities or other document confirming payment of the foreign income tax is sufficient proof to receive the credit.

**Participation exemption** – No, but see “Taxation of dividends,” above.

**Holding company regime** – No

**Incentives** – Legal entities engaged in specific activities may be granted a temporary exemption from income tax, property tax and unified tax. Additionally, companies that incur capital expenditure to expand general production capacity, reconstruct industrial structures, modernize production facilities and equipment, etc. may deduct that expenditure (net of depreciation) from the taxable base over a five-year period (up to a maximum of 30% of the taxable base each year).

Favorable tax and customs regimes are available to companies registered in special industrial and free economic zones.

### **Withholding tax:**

**Dividends** – Dividends paid to residents are subject to a 5% withholding tax; dividends paid to nonresidents are subject to a 10% withholding tax. The rate on dividends paid to a nonresident may be reduced under an applicable tax treaty.

**Interest** – Interest paid to residents is subject to a 5% withholding tax and that on payments to nonresidents is 10%. The rate for a nonresident may be reduced under an applicable tax treaty.

**Royalties** – Royalties and similar payments (e.g. lease payments) made to nonresidents are subject to a 20% withholding tax which may be reduced under an applicable tax treaty.

**Technical service fees** – No

**Branch remittance tax** – No

**Other** – Other payments made to nonresidents are subject to withholding tax at the following rates: 10% on premiums paid under insurance, co-insurance and reinsurance contracts; 6% on payments for telecommunications services for international communications and payments for transportation and shipping services; and 20% on payments for other types of income.

### **Other taxes on corporations:**

**Capital duty** – No

**Payroll tax** – A company must make a unified social contribution (for purposes of the pension, employment and professional trade union funds) calculated on the salary of an employee at a rate of 12%.

Employers are required to withhold and remit the 12% individual income tax on behalf of employees.

**Real property tax** – A 2% property tax is levied on immovable assets of a legal entity. The rate is doubled for overdue construction projects and equipment installations.

**Social security** – See unified social contributions under “Payroll tax,” above.

**Stamp duty** – Stamp duty is levied on claims submitted to courts, notarial actions, state registration of legal entities and various licenses.

**Transfer tax** – No

### **Anti-avoidance rules:**

**Transfer pricing** – The tax authorities may adjust income derived from related party transactions to reflect the market rate. A draft transfer pricing law is under review and expected to be approved in 2019.

**Thin capitalization** – No

**Controlled foreign companies** – No

**Disclosure requirements** – Some disclosure rules apply under NAS.

**Other** – A state body carries out special functions to regulate monopolistic activities of entities (e.g. a listing of monopolistic companies, determination of anti-monopolistic sectors and price monitoring).

### **Compliance for corporations:**

**Tax year** – Calendar year

**Consolidated returns** – Consolidated returns generally are not permitted; each company (taxpayer) must file its own return. However, banks are required to file a consolidated return, but their branches submit separate returns.

**Filing requirements** – Resident companies must file a quarterly corporate income tax return not later than the 25th day of the month following the accounting quarter, and an annual return must be filed on/ before 15 February following the reporting year. A payment equal to one-third of the estimated quarterly tax amount must be paid monthly by Uzbek companies; the annual return and final payment are due by 15 February after the close of the tax year.

Nonresidents that have a permanent establishment in Uzbekistan must file an annual return by 25 March of the year following the accounting year, which calculates the income tax due and reports on the nature of the entity's activities. If the activities terminate before the end of the calendar year, the relevant documents must be filed within one month after termination.

**Penalties** – Penalties may be imposed for failure to register an activity; the fine is 50 to 100 times the monthly minimum wage or 10% to 50% of earned revenue. A late or missing return is subject to administrative penalties. In addition, a 0.045% fine is charged on a late payment of tax for each

day the payment is delayed (0.06% if the tax authorities identify the overdue payment).

**Rulings** – No

### **Personal taxation:**

**Basis** – Resident individuals are taxable on worldwide income; nonresidents are taxed only on their Uzbekistan- source income.

**Residence** – An individual is resident if he/she is domiciled in Uzbekistan on a permanent basis or physically present in Uzbekistan for at least 183 days in any consecutive 12- month period ending in the reporting tax year.

**Filing status** – Joint filing is not permitted; spouses are taxed on a separate basis.

**Taxable income** – Taxable income includes wages and salaries (including work awards, one-time bonuses, annual additional payments for holidays, etc.); benefits such as training, certain childcare services, catering and travel tickets or related compensation; and “other income” (e.g. awards, prizes, cash awards from competitions, contests, etc.).

Income from healthcare benefits, inheritances, insurance proceeds, etc. is nontaxable.

**Capital gains** – Income derived by an individual from the sale of private property is taxable income.

**Deductions and allowances** – No

**Rate** – 12%

### **Other taxes on individuals:**

**Capital duty** – No

**Stamp duty** – Stamp duty is levied on claims submitted to courts, notarial actions, state registration of legal entities and various licenses.

**Capital acquisitions tax** – No

**Real property tax** – Land and property taxes may be levied on individuals owning, possessing, renting or otherwise using land and owning real property. The taxable base for land is the area of the land and the tax rate is determined by the government for each region. A property tax rate of between 0.2% to 0.35% applies to the cadastral value of real property.

**Inheritance/estate tax** – No

**Net wealth/net worth tax** – No

**Social security** – Social security contributions for individuals were abolished as from 1 January 2019.

### **Compliance for individuals:**

**Tax year** – Calendar year

**Filing and payment** – Employment income and passive income are taxed by withholding at source. For other types of income, an individual must submit an income declaration, with income assessed on the basis of the declaration. Filing for such “declared income” is due by 1 April of the following year, and the payment deadline is 1 June of the following year.

**Penalties** – Administrative penalties are charged for late filing or failure to file a tax declaration. A 0.045% fine is charged on a late payment of tax for each day the payment is delayed.

### **Value added tax:**

**Taxable transactions** – VAT is levied on the supply of goods and services and the import of goods.

**Filing and payment** – VAT reporting and filing follows a calendar year. Companies must report and pay VAT on a monthly basis before the 25th day of the month following the reporting period.

**Registration** – Companies with annual turnover of less than UZS 1 billion are not required to pay VAT; however, they can opt to register and pay VAT on a voluntary basis. Companies with annual turnover between UZS 1 billion and UZS 3 billion are eligible for a simplified VAT scheme and must register with the tax authorities before 1 February of the reporting year.

**Rates** – The standard rate is 20%. Entities providing certain services report and pay VAT quarterly before the 25th day of the month following the reporting period. Other legal entities report and pay VAT monthly before the 25th day of the month following the reporting period.

Taxpayers using the simplified VAT scheme pay VAT at a fixed rate ranging from 4% to 15%, depending on the industry. Taxpayers using the simplified VAT scheme may not offset input VAT.

**Source of tax law:** Tax Code, Decrees of the President and Cabinet of Ministers

**Tax treaties:** Uzbekistan has concluded over 50 tax treaties.

**Tax authorities:** State Tax Committee, State Customs Committee, Ministry of Finance

**International organizations:** UN; CIS, SCO, IMF, ADB

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