

Changes in tax rates / Changes in Excise Tax on production / New Customs Duties and Excise Tax rates on importation / VAT rates on certain goods / Additional statutory holidays in Uzbekistan

Changes in 2019



In this issue, we have summarised notable recent amendments in the Uzbek legislation

Presidential Resolution of 26 December 2018

Presidential Resolution No. IIII-4086 of 26 December 2018 (Decree) revises the rates of certain taxes and introduces some changes to tax legislation. Below, we describe the most notable changes (effective as of 1 January 2019, unless stated otherwise).

- General rate of Unified Tax Payment (UTP) is decreased from 5% to 4%. UTP rate for intermediary services (agency, commissioning etc.) is decreased from 33% to 25%.
- Land Tax rates for legal entities and individuals are raised approximately by 20%.
- Contribution to the Individual Accumulative Pension Accounts is decreased from 2% to 0.1%.
- Excess Profits Tax for production of cement, clinker and polyethylene granules is abolished.
- General rate of Water Use Tax has been increased by approximately 20%.

- Minimum amounts of UTP (not less 3 times of land tax amount) and Unified Social Payment (USP) of 1 MMW ¹ are abolished.
- Subsurface Use Tax rates for some minerals have been decreased, including:
 - ✓ refined copper – 15% (previously 30%),
 - ✓ zinc – 10% (previously 20%),
 - ✓ gold – 25% (previously 32%),
 - ✓ silver – 25% (previously 32%).
- Additional charge for use of fully depreciated equipment is abolished (previously, charged at rate of 0.25% of the historic value).
- Taxation of individual entrepreneurs may vary depending on their turnover as follows:
 - ✓ annual turnover up to UZS 100 mln. – Fixed Tax;
 - ✓ annual turnover exceeding UZS 100 mln., but not exceeding UZS 1 bln. - UTP at 4% rate;
 - ✓ annual turnover exceeding UZS 1 bln. – standard tax regime.
- As of 1 July 2019, taxpayers – buyers of goods (works, services) cannot offset input VAT indicated in tax invoice issued by suppliers who are not VAT payers. Decree prescribes that VAT status of suppliers shall be obtained through an official website of State Tax Committee of Uzbekistan (STC).
- Decree envisages that taxpayers shall be released from any liability for concealment of actual headcount, as well as from accrual of additional PIT and USP for non-disclosed employees in previous reporting periods, provided that factual headcount is voluntarily disclosed by 1 April 2019.
- Employers are advised to increase salaries of their employees at the expense of decreased tax burden, including reduction of USP rate. Moreover, Ministry of Labour and STC are responsible for monitoring and detection of cases of groundless decrease of salaries.
- Obligation on employers to cover maternity allowance is further extended until 1 January 2020.

Excise Tax on production

Decree introduces number of changes into Excise Tax charged on production of certain goods as summarized below.

- Excise Tax rates for production of goods have increased in general. For example, Excise Tax for production of cognac and beer has increased by about 25% from UZS 73,997 to UZS 92,500 per 10 litres of cognac and from UZS 7,699 to UZS 9,200 per 10 litres of beer.
- Excise Tax rates for production of certain products have decreased. For example, Excise Tax rates on production of oil products (e.g. gasoline, kerosine, diesel) have decreased by 10 times, and excise tax rate for production of natural gas decreased from 25% to 15%, Excise Tax rate for production of vehicles by “General Motors Uzbekistan” has decreased from 5% to 3%.
- Effective 1 January 2019, Excise Tax has been introduced for:
 - ✓ production of polyethylene granules at the rate of 25% (along with cancellation of Excess Profits Tax charged for the same, as noted above);

¹ MMW is set as Uzbek Soum 202,730 (approx. USD 24) as of 1 November 2018.

- ✓ provision of mobile communication services at the rate of 15% (along with reduction of monthly Charge payable by mobile operators for each customer from UZS 4,000 to UZS 2,000);
- ✓ sale of petrol, diesel, liquefied gas and compressed gas to final consumers - at the rate of UZS 285 per litre (for petrol, diesel and liquefied gas), and UZS 360 per cubic meter (for compressed gas). As noted in our previous publication, this Excise Tax replaces Petrol, Diesel and Gas Consumption Tax (charged at UZS 232.5 per 1 litre for petrol and diesel; UZS 230 per 1 litre for liquefied gas; UZS 305 per 1 cubic metre for compressed gas).
- Effective 1 March 2019, combined Excise Tax for production of cigarettes will be introduced. Combined Excise tax rate will include fixed rate element and “ad valorem” rate element. Thus, Excise Tax rate for production of cigarettes will comprise UZS 117,900 per 1,000 cigarettes plus 4% of the manufacturer’s price (previously, UZS 84,222 per 1,000 cigarettes).
- Decree also envisages that Excise Tax rates for production of alcohol and tobacco products shall additionally increase up to 20% as of 1 July 2019.

Customs Duties and Excise Tax on importation

As noted in our Tax and Legal Alert of November 2018, Presidential Resolution #III-3818 of 29 June 2018 (Resolution 3818) introduced new rates of Import Duty and Excise Tax which should have become effective as of 1 January 2019. Decree introduces amendments to the rates of Import Duties and Excise Tax rates for certain products.

For example, Decree envisages Customs Duty of 15% for import of perfume, 20% for import of refrigerators, 10% for import of air conditioners while Resolution 3818 envisaged 0% Duty on import of those goods.

Moreover, Decree introduces Excise Tax for certain goods, for example, 20% for import of dry cookies, 10% for aluminium profiles, 10% for washing machines etc. Previously, import of those goods was not subject to Excise Tax. Rate of Excise Tax for import of ‘Other cigarettes containing tobacco’ (HS code 2402 20 900 0) was decreased from USD 60 to USD 45 per 1,000 cigarettes.

At your request, we will be pleased to provide full list of new import duty/ excise tax rates.

VAT rates on certain goods

Resolution of the Cabinet of Ministers No. 1065 of 31 December 2018 approves the list of domestically produced food products exempt from VAT. The list includes: meat (beef, mutton, chicken), fish, potato, onion, eggs, rice (including imported), sugar, bread products.

By virtue of Presidential Resolution No. III-4090 of 4 January 2019, export of copper products shall be subject to zero-rate VAT. For export of copper tubes (HS code 7411) this incentive is provided unconditionally and without time limitation. As for other copper products (HS codes 7407-7410 and 7412-7419) (i) zero-rate VAT is effective until 1 January 2020, and (ii) 50% of input VAT on acquired copper is offsetable, while remaining 50% shall be expensed.

Additional statutory holidays in Uzbekistan

Presidential Decree No.VII-5574 of 12 November 2018 provides for additional statutory days off in 2019 during celebration of national holidays, including:

- 2 January in addition to 1 January;
- 22 March in addition to 21 March;
- 2 September in addition to 1 September.

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PwC would also like to remind of the approaching deadlines for annual tax filings for PERMANENT ESTABLISHMENTS and INDIVIDUALS.

CORPORATE INCOME TAX (CIT) return filed by PERMANENT ESTABLISHMENT for 2018 is due by 25 March 2019.

PERSONAL INCOME TAX (PIT) return for 2018 is due before 1 April 2019. In accordance with the Tax Code, Uzbek PIT is paid by tax residents - on their worldwide income, and by non-residents – on their income received from Uzbek sources. An individual is deemed to be a tax resident if he/she spends 183 days and more during any 12-month period ending in the reporting year. The Tax Code further states that if a foreign national has become tax resident prior to 1 April of the year following the reporting one (i.e. has arrived in Uzbekistan prior to October 2018 and stayed through 1 April 2019), he/she is required to file a PIT declaration for the reporting year (i.e. 2018).

Please feel free to contact us with queries on the annual tax filing requirements or if you need support on other tax issues.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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