

Changes in 2016



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

Presidential Decree No. IIII-2455 of 22 December 2015

Presidential Decree No. IIII-2455 of 22 December 2015 revises the rates of certain taxes and introduces some changes to the tax legislation. Below, we describe the most notable changes effective as of 1 January 2016.

- Minimum rate of personal income tax (PIT) is decreased from 8.5% to 7.5%. It applies to the portion of monthly income exceeding 1 MMW¹ and capped at the level of 5 MMW. The portion of monthly income of up to 1 MMW is not taxable.
- Individual pension fund contribution rate is increased from 7% to 7.5%.
- Unified tax payment rate for micro-firms and small enterprises engaged in services is decreased from 6% to 5%.
- Unified land tax payable by producers of agricultural products – is decreased from 6% to 0.95% of the normative value of agricultural land. We understand that such considerable decrease is due to recent revaluation (increase) of normative value of agricultural land.

¹ MMW (Minimum Monthly Wage) is fixed at UZS 130,240 (approx. USD 46)

- Property tax rate for legal entities is increased from 4% to 5%.
- Property tax for individuals increases from 1.3% to 1.5%. Tax rates for individuals owning flats and houses in cities with the total area of more than 200 and 500 square metres increase from 1.6% to 1.8%, and from 2.2% to 2.5% respectively.
- Land tax rates for legal entities and individuals and water use tax rates for individuals are raised approximately by 15%.
- Excise tax rates for production of alcoholic drinks and cigarettes (and certain other goods) are increased. For example, excise tax rate for production of cigarettes increased from UZS 19,196 to UZS 28,794 for 1,000 cigarettes, excise tax for production of beer increased from UZS 4,106 to UZS 5,133 for 10 litres.
- Excise tax rates for import of certain types of products increased. For example, excise tax rates for import of edible oil and technical oil increased for 5%. Excise tax introduced in respect to certain goods, e.g. 70% rate on small-sized trucks.
- Customs duties introduced in respect of the following products (washing machines – greater of 30% or 30 USD per piece, lightning equipment – greater of 30% or 1.5 USD per each kilogram etc.).
- Monthly fee payable by mobile operators for each customer number is increased from UZS 750 in 2015 to UZS 1,500.
- Obligation on employers to cover maternity allowance is further extended until 1 January 2017 (prior to 1 January 2010 it had been paid at the costs of social insurance bodies).
- Validity of certain benefits extended until 1 January 2018, including the following:
 - exemption from property tax for entities in textile industry (initially provided by the Presidential Decree No.III-733 of 21 November 2007);
 - eligibility of textile companies within “Uzbekengilsanoat” association to sell their semi-finished textile products for hard currency within the territory of Uzbekistan at zero rate VAT (initially provided by the Resolution of the Cabinet of Ministers No.141 of 25 March 2004), while the prerequisite of 80% minimum export share is abolished;
 - exemption from payment of imports customs duties in respect to certain chemicals, accessories etc. imported by companies within “Uzbekengilsanoat” association (initially provided by the Resolution of the Cabinet of Ministers No.141 of 25 March 2004);
 - tax and customs benefits (exemption from corporate income tax, unified tax payment, property tax, import customs payments) for entities producing non-food consumer goods provided by Presidential Decree No. III-1050 of 28 January 2009.
- Exemption from customs payments provided for companies importing equipment, spare parts, ingredients and components used in production and processing of dairy, meat, milk, fruit and vegetable products extended until 1 January 2019 (initially provided by the Presidential Decree No. III-1633 of 31 October 2011).

- Number of tax benefits are abolished, including:
 - exemption from corporate income tax for joint-ventures working within “Uzbekengilsanoat” and “Mahaliy sanoat” associations with minimum foreign participation of 50% (provided by Resolution of the Cabinet of Ministers No.166 of 29 April 1996);
 - reduction of taxable income of legal entities for investments in implementation of quality management systems (provided Decree of the Cabinet of Ministers No. № 349 of 22 July 2004);
 - 5% reduction of applicable corporate income tax rate or unified tax payment rate for service companies (with exception of commercial banks) in respect of sales paid by use of plastic cards.

New minimal level of foreign shareholding in joint stock companies

Presidential Decree No. IIII-2454 of 21 December 2015 requires joint-stock companies (except those engaged in production and processing of strategic materials as well as natural monopolies and suppliers of socially-important goods and services with regulated tariffs) to have at least 15% of foreign shareholding by 1 July 2016.

Joint-stock companies (JSC) that do not comply with the above requirement shall be reorganised into other legal forms.

Moreover, JSCs with foreign participation of 15-33% would be eligible to tax benefits (diferrentiated depending on volume of foreign investment) as stipulated by the Presidential Resolution No. VII-3594 of 11 April 2005. Previously, these benefits were preconditioned with the requirement of minimum 33% foreign participation.

The Resolution No. VII-3594 also exempts foreign investors from taxation of dividend income until 1 January 2020. Until the same date JSCs are exempt from payment of state duties for application to the court in case of violation of legal rights and interests with their further collection from the party in fault.

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PwC would also like to remind you of approaching deadlines for PERMANENT ESTABLISHMENT and PERSONAL INCOME TAX annual filings.

PERMANENT ESTABLISHMENT tax filing dates for 2015 returns are as follows:

- Property Tax – 25 January 2016;
- Land Tax – 15 February 2016;
- Corporate Income Tax – 25 March 2016.

PERSONAL INCOME TAX (PIT) return for 2015 is due before 1 April 2016. 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 2015 and stayed through 1 April 2016), he/she is required to file a PIT declaration for the reporting year (i.e. 2015).

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

Let's talk

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

Michael Ahern,
Partner, Tax
michael.ahern@kz.pwc.com

Otabek Muhammadiyev,
Director, Assurance
otabek.muhammadiyev@uz.pwc.com

Jamshid Juraev,
Senior Manager, Tax
jamshid.juraev@uz.pwc.com

Audit Organization
“PricewaterhouseCoopers” LLC
88A, Mustaqillik prospekt,
Mirzo-Ulugbek district,
Tashkent 100000, Republic of Uzbekistan
T: +998 (71) 120 6101, F: +998 (71) 120 6645,
www.pwc.com/uz

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