



Tax review for
October 2019

Tax benefits for tourist activities are provided

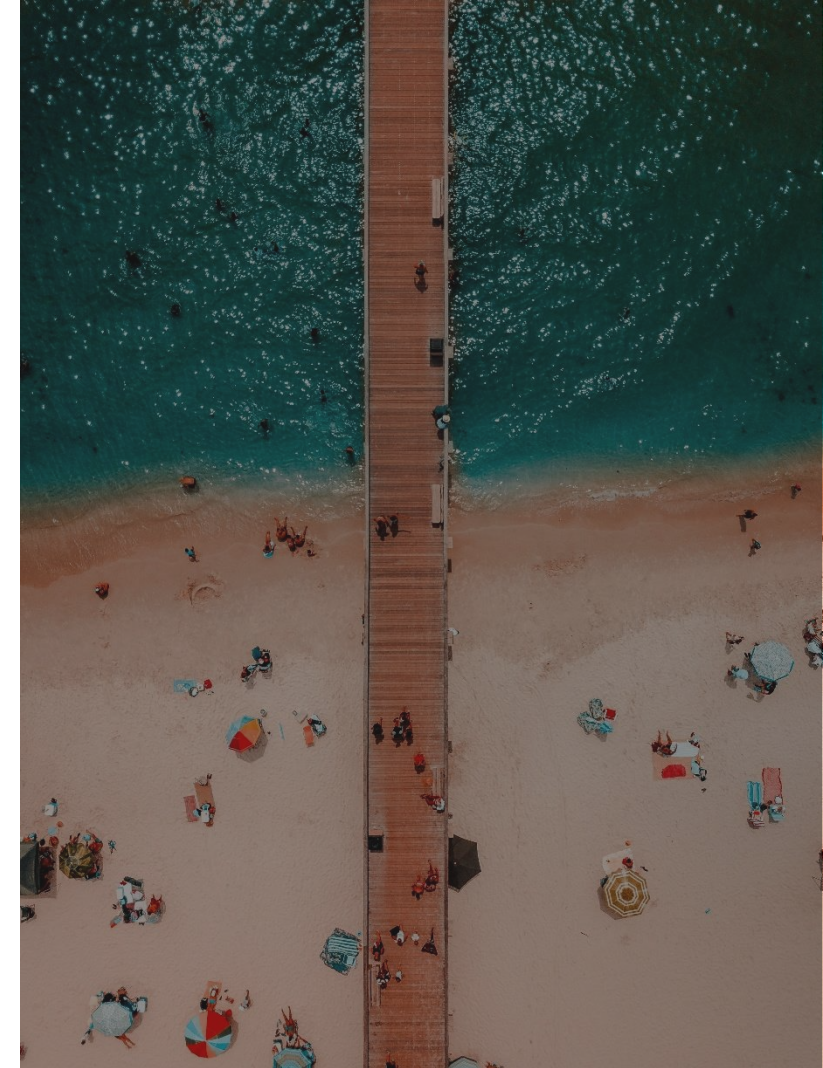
In accordance with the Decree **№УП** - 5781 of the Republic of Uzbekistan «On measures for the further development of the tourism sector in the Republic of Uzbekistan» by January 1, 2023, the following tax benefits are established for tourist activities and tourism services:

legal entities providing travel services for the organization of camping sites and safari tourism in hard-to-reach areas are exempt from income tax, land tax and property tax, as well as from a unified tax payment

legal entities organizing the activities of modern sanitary and hygienic facilities are exempt from income tax, land tax and property tax, as well as from a unified tax payment

In the framework of implementation of the project to create golf complexes in accordance with international standards legal entities are exempt from income tax, land tax and property tax, as well as from a unified tax payment for the payment of labor of foreign specialists, customs duties and excise tax when importing goods for the project

equipment imported to the territory of the Republic for the construction of cable cars and amusement rides «Bungee jumping», «Zip line», controlled (airship, hot air balloon) and uncontrolled (free flight) balloons, gondolas, equipment for «rafting» and «flyboarding», as well as «buggycar», phaetons, land-based vehicles, transformed to lodging properties for overnight (camper van) or to cafe van («food truck») are exempt from customs duties and excise tax



New changes in the legislation are explained by the State Tax Committee

My.soliq.uz posted information about changes in the tax legislation in the personal cabinet of taxpayers. In particular, about non-application of sanctions for overdue accounts receivable on import contracts for the equipment and accessories with delivery terms no more than 180 days.

To create equal conditions and further improve the investment climate, a Decree of the President №УП-5755 «On measures to further improvement of the provision of tax and customs benefits» was adopted on June 27, 2019. In accordance with this document, agricultural producers who are payers of the Single Land Tax have the right to switch to paying VAT on a voluntary basis from August 1, 2019.

Legal entities that sell gasoline, diesel fuel and gas to end users through gas stations, as well as importers of goods regardless of the size of gross revenue switched to paying VAT from October 1, 2019

In addition, the following benefits are canceled from October 1, 2019:

a) on VAT, including import:

- asbestos, coal, timber, wood and its products, raw hydrocarbons;
- soybeans, sunflower and sesame seeds, oily raw material and raw sugar;
- agricultural machinery, vehicles, components, materials and technological equipment used in the manufacture of vehicles;
- agricultural products of own production and food products produced in the country.

b) on exemption from income tax at the source of payment of income received in the form of interest on funds placed in commercial banks. Single Land Tax payers with a turnover (revenue) of more than 1 billion UZS or irrigated agricultural land with an area of more than 50 hectares are VAT payers and are required to register in the prescribed manner from October 1, 2019.

Raw cotton producers switch to paying VAT from the harvest of the year 2019. At the same time, they are entitled to offset the amount of VAT paid on goods (works, services) actually received not earlier than October 1, 2018 and used for growing raw cotton for the harvest of the year 2019.

Instead of benefits on property tax and land tax of legal entities, a postponement of up to 24 months is introduced, presented by executive government bodies at the local level.

For overdue receivables under import contracts for the supply of equipment and (or) components, financial sanctions are not applied if the delivery time of such property is not more than 180 days due to its technical characteristics and features.

The positive impact of the new law «On the currency regulation» (see **3PY**–573 of 22.10.2019)

The Central Bank of the Republic of Uzbekistan commented on the recently adopted law on strengthening the legal protection of creditors and improving mechanisms for entrepreneurship financing.

The law of October 22 is important in terms of the investment climate of the country, investor confidence in the development and conduct of a business, and attraction of direct investment. By influencing the transparency of the collateral market [obligations], it contributes to its development, as stated in the report.

The main positive changes to which the new document leads:

- it will create conditions for improving access to financial resources of business entities by entering the market of movable property;
- ensure transparency of the collateral market through the collateral registry and open the way for correct and reasonable risk assessment of all market participants;
- with the further development of the financial market with the participation of movable property will contribute to the emergence of other professional participants, except banks, which are the main participants;
- foreign investors, due to the created system, increase their confidence in our national economy, create risk management tools in their business and relations with local partners, and it also serves to significantly reduce the time for making decisions on investments by foreign investors;
- the risks of loans will decrease with a sharp decrease in operating costs for issuing loans, micro-loans and other types of borrowing.



VAT benefits for grain processing enterprises and producers of tinned bread using local grain.

Until July 1, 2020, the production and sale of tinned bread (the so-called «loaves») from flour produced using only domestic grain were exempted from VAT.

The procedure for determining the taxable VAT turnover regarding the products of grain processing enterprises, effective from September 1, 2018, has also changed:

- the cost of grain produced domestically can be deducted from the total revenue from now on until July 1, 2020;
- when processing imported grain subject to VAT on import, the taxable turnover from October 1, 2019 is determined in accordance with the Tax code (i.e. without deducting the value of grain).

It became easier to liquidate enterprises

At a meeting of the Legislative chamber on October 22, deputies discussed a draft law aimed at improving the procedure for the liquidation of business entities.

The mechanism of voluntary liquidation of business is simplified from January 1, 2020. The draft law «On introducing amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the improvement of the procedure for the liquidation of business entities» solves this problem. It was already conceptually approved at the meeting on September 30, and discussed in the second reading on October 22. It will take several hours to create a business entity.

But the liquidation mechanisms are extremely complex, difficult and time-consuming. Therefore, tens of thousands of citizens prefer to conduct their business without registration, as was noted by the deputies. In accordance with the draft law, the period, which is the basis for recognition of the enterprise as not conducting financial and economic activities, is 9 months. That is, if the business entity does not work during the specified period, this is the basis for its liquidation.

The enterprises which do not conduct financial and economic activity, on the basis of representation of an agency of tax service are transferred by registering body from the Uniform state register of business entities to the inactive mode for a period of 3 years. As a result, it is assumed that the «ghost employees» in this area will be eliminated.

On what goods will excise taxes raise from October 1

Previously, it was planned to increase rates for alcohol and tobacco products, now the increase in rates will affect oil products, gas, mobile communications and polyethylene granules (see Appendix to **УП-5837** of 26.09.2019).

Excise tax rates on local alcohol and tobacco products will increase from October 1. At that time, it was decided to raise rates on alcohol by an average of 10%, cigarettes and smokables - by 20%. Now, for certain positions, an adjustment has been made. The excise tax on alcoholic beverages per 1 daL will be 98,000 so'ms, with a volume fraction of alcohol of more than 40% - 148,000 UZS per 1 daL, and on beer - 10,600 UZS per 1 daL.

141 500 UZS / 1 thousand pieces + 9% will be charged from tobacco products, although initially 141,500 som's / 1 thousand pieces + 4% was approved. Moreover, a number of other excise taxes on products manufactured in the country will increase from October 1. Significantly - for petroleum products, less significantly - for natural and liquefied gas, mobile communications and polyethylene granules.

Name of goods (services)	Excise tax rate		Increase size (%)
	From January 1 to October 1, 2019	From October 1, 2019	
Mobile services	15%	20%	33,3
Natural gas, including export Natural gas, including export	15%	20%	33,3
Liquefied gas sold by manufacturers (excluding volumes sold to the population through inter-regional unitary enterprises of JSC «Uztransgaz»), including export	26%	30%	15,4
Polyethylene granules	25%	30%	20
Oil products:			
Gasoline AI-80	32 143 so'ms per ton	200 000 so'ms per ton	522,2
Gasoline AI-91, AI-92, AI-93	35 343 so'ms per ton	250 000 so'ms per ton	607,3
Gasoline AI-95	40 889 so'ms per ton	250 000 so'ms per ton	511,4
Diesel fuel	27 340 so'ms per ton	200 000 so'ms per ton	631,5
ECO Diesel fuel	28 425 so'ms per ton	180 000 so'ms per ton	533,2
Aviation kerosine	5 058 so'ms per ton	180 000 so'ms per ton	3 458,7
Engine oil for diesel and carburetor (injection) engines	20 700 so'ms per ton	250 000 so'ms per ton	1 107,7

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