

Uzbekistan introduces further tax measures to support the population and business amid the COVID-19 pandemic

Alert on recent changes to tax legislation of the Republic of Uzbekistan

April 2020

Presidential Decree "On additional measures to support the population and business entities during the coronavirus pandemic" was adopted on 27 April 2020 ("Decree").

According to the Decree, the following key tax measures are provided to support the economy and business:

- ▶ Interest-free tax payment deferral (for revenue tax, property tax, land tax and etc.) is extended until 31 December 2020 (previously until 1 October 2020) (with mandatory submission of notification to the tax authorities) granted for small businesses and individual entrepreneurs, who have suspended their activities and/or whose revenue is reduced by more than 50%. Local authorities have the right to determine the period of further tax payments, but not longer than 2 years.
- ▶ From 1 April to 1 October 2020:
 - Accrued and deferred interest income of financial leasing companies is excluded from taxable income for CIT purposes.
 - Transfer of funds and/or goods (services) on a gratuitous basis to Charity Public Fund "Mahalla", "Dobrota i podderjka" Fund, Public Fund "Uzbekistan mekhr-shavkat va salomatlik", as well as to individuals (per established list) who need social support:
 - Is considered as deductible expense for CIT purposes;
 - Is exempt from VAT and should not be included into taxable base of Revenue tax;
 - is not considered as income of individuals.
 - Individuals are granted the right for interest-free tax payment deferral on income received from renting residential premises to individuals and non-residential premises to entities, which had to suspend their activities during the coronavirus pandemic, with its payment by equal installments until 1 April 2021.
- ▶ In 2020, the amount of financial aid paid to an employee, which is not subject to personal income tax, increases from 4.22-fold to 7.5-fold of the minimum wage (i.e. from UZS 2,866,773 (~ USD 283) to UZS 5,094,975 (~ USD 503)).

We will be glad to advise you on these changes in more detail and discuss should you have any questions.

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Uzbekistan introduces additional tax measures to support businesses amid the global COVID-19 pandemic

Alert on recent changes to tax legislation of the Republic of Uzbekistan

April 2020

Presidential Decree No. 5978 "On additional measures to support the population, sectors of economy and business during coronavirus pandemic" was adopted on 3 April 2020 ("Decree").

According to the Decree, the following key tax measures are provided to support the economy and business:

- ▶ Zero rate of customs duty and excise tax will be effective until 31 December 2020 for the import of goods according to the list provided in the Decree, which includes certain food products as well as sanitary-hygienic and medical products.
- ▶ From 1 April to 31 December 2020:
 - VAT payers with a sales turnover below UZS 1 billion (approx. USD 105,000) per month who use electronic VAT-invoices, are entitled to calculate and pay VAT on a quarterly basis (rather than on a standard monthly basis);
 - The increased rates of property tax and land tax related to unused production areas and non-residential buildings, as well as late payment interest and measures of forced collection of these taxes arising from such increased rates, shall not be applied;
 - Tour operators, travel agents and entities providing hotel services (accommodation services) are exempt from payment of land tax and property tax, and are entitled to pay social tax at a reduced rate of 1% on payroll costs (instead of the standard rate of 12%).
- ▶ Starting from 1 April 2020 taxpayers utilizing VAT exemptions granted by the decisions of the President of Uzbekistan and the Cabinet of Ministers are entitled to use funds released from taxation freely without redirecting such funds for specific targeted purposes.
- ▶ Starting from the second quarter of 2020 corporate income tax (CIT) payers are entitled to submit CIT advance payments statements based on the expected amount of tax payable, whilst the requirement for calculation of CIT advance payments based on the actual results of the previous quarter is not applied.
- ▶ Income resulting from receipt of an interest-free loan (financial aid), imputed for tax purposes based on the refinancing rate, is not subject to CIT and revenue tax (whichever applies) until the end of 2020.

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- ▶ Fixed amounts of individual income tax and social tax are not assessed for individual entrepreneurs, who have been forced to suspend their activities for the period of quarantine measures, by submission of notice through the personal online cabinet of the taxpayer.
 - ▶ Until 1 October 2020 interest free tax payment deferral is granted for small businesses and individual entrepreneurs, who have suspended their activities (with mandatory submission of notification to the tax authorities) and/or whose revenue is reduced by more than 50% compared to the average monthly revenue for the first quarter of this year: on revenue tax, property tax, land tax, water use tax - with the obligation of deferred payments in equal installments within further 12 months; on social tax - with the obligation of deferred payments in equal installments within further 6 months.

We will be glad to advise you on these changes in more detail and discuss should you have any questions.

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March 2020

Presidential Decree #5969 "On priority measures to mitigate the negative impact on the sectors of the economy of the coronavirus pandemic and global crisis developments" was adopted on 19 March 2020.

According to the Decree, the following measures are introduced to support the economy and business:

- ▶ Moratorium on tax audits will be effective until 1 January 2021 (tax audits will only be limited to tax audits conducted based on criminal cases and liquidation of legal entities);
- ▶ Property tax, land tax and water use tax payment deadlines for legal entities can be extended for 6 months by local authorities based on the application of the taxpayer (late payment interest on these taxes is not assessed by the tax authorities until 1 October 2020 in relation to entities experiencing temporary difficulties, and measures on forced tax collection measures shall not be applied);
- ▶ Water use tax rate for water volumes used for the purposes of agricultural irrigation is reduced by 50% in 2020;
- ▶ Social tax for individual entrepreneurs is reduced to 50% of the specified base value for the period between 1 April 2020 to 1 October 2020;
- ▶ In kind benefits received by individuals from charity institutions are exempt from individual income tax from 1 April 2020;
- ▶ The individual income tax declaration filing deadline is extended from 1 April to 1 August 2020;
- ▶ The property tax and land tax payment deadlines for individuals are extended from 15 April to 15 October 2020;
- ▶ Touristic duty is not levied during the period from 1 April to 1 October 2020;
- ▶ Penalties for having overdue receivables from foreign trade operations are not applied until 1 October 2020;
- ▶ Export of goods without guaranteed payment is allowed if the overdue receivables do not exceed 10% of the total annual export (previously export of goods without guaranteed payment was allowed only if there were no overdue receivables);
- ▶ Other non-tax measures.

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