



**GRATA**  
INTERNATIONAL

Local Knowledge  
for Global Business

[www.gratanet.com](http://www.gratanet.com)

# Shavkat Mirziyoyev issues decree approving Concept for Improving Uzbekistan's Taxation Policy

Shavkat Mirziyoyev issues decree approving Concept for Improving Uzbekistan's Taxation Policy

President Shavkat Mirziyoyev, by his June 29 decree, approved the Concept for Improving Uzbekistan's Tax Policy, which is aimed at "reducing the tax burden, simplifying the taxation system and improving tax administration" and which has been prepared based on the recommendations of the International Monetary Fund, the World Bank and other experts, with its draft passing public discussion.

Within the framework of the concept, as of January 1, 2019, the following changes will be introduced:

1. The tax burden on the payroll is cut with:

- 12% flat personal income tax for all citizens is to be introduced, of which 0.1% is sent to individual accumulative pension accounts, while keeping the current procedure for exemption from paying income tax those earning 4 minimum wages (MW= 172,000 UZS) or less;
- insurance payments by citizens to the extra-budgetary Pension Fund, which were levied from the personal income, are to be scrapped;
- unified social payment is to be set at 25% for budget-financed organizations and state enterprises, legal entities with the state's share in the statutory fund (capital) of 50% or more, in order to ensure the stability of the pension system, legal entities in the authorized fund (capital) of which 50% or more belongs to a legal entity with a state share of 50% or more, and their structural subdivisions, as well as at the income tax for other legal entities is to be cut from 15% to 12%;

2. Taxation of payers of general and simplified taxes is being improved and coupled with optimization of taxes on turnover (proceeds), as well as the criteria for transition to a simplified taxation regime with:

- mandatory contributions to state trust funds, levied from turnover (proceeds) of legal entities are to be abolished;
- corporate profit tax is decreased from 14% to 12%, for commercial banks - from 22% to 20%, as well as legal entities providing mobile communication services (cellular companies) is to be increased from 14% to 20% with cancellation for them the procedure for calculating the excess profit tax, depending on the level of profitability;
- decrease in the income tax rate levied at the source of payment, on income in the form of dividends and interest from 10% to 5%;
- transfer of enterprises with an annual turnover (revenue) for the previous year of more than 1 billion soums or those that reached the established threshold during the year, are to pay general taxes. While, the established threshold of annual turnover (revenue) of 1 billion soums is to be reviewed at least once every three years;
- property tax, land tax and a tax for the use of water resources is to be introduced for all legal entities, including entities that have a turnover (proceeds) up to 1 billion soums;
- the procedure for calculating and paying the excess profit tax, including the introduction of payment of royalties is to be

improved;

3. Measures are to be implemented to reduce the negative impact of the tax policy reforms on payers of simplified tax regime with:

- the corporate property tax is cut from 5% to 2%, while keeping the procedure for calculating the tax at higher rates for legal entities that inefficiently use buildings and structures, including those previously privatized;
- the procedure for calculating and paying a turnover tax (revenue) with a base rate of 4% and the possibility of paying value-added tax on a voluntary basis is to be established for taxpayers with an annual turnover (revenue) of up to 1 billion soums;
- the taxation procedure for unified land tax payers is to be kept;

4. Improving the procedure for calculating and paying VAT and excise tax with:

- keeping the current VAT rate at 20% with the introduction of a full-fledged tax credit system, specifying the tax base and cutting the number of benefits, and possible further cutting the rate of this tax at the end of 2019;
- granting the right to credit the amount of VAT on the acquired fixed assets, facilities of construction in progress and intangible assets that are currently included in their value;
- unification of excises and duties from manufacturers of alcoholic beverages and tobacco products established per unit of produce, with the transfer of funds to the central budget for financing of relevant activities.

The working commission on coordination of the drafting of the new Uzbekistan's Tax Code and abolishing ineffective tax and customs privileges and preferences was instructed to prepare proposals to scrap ineffective benefits and to prepare a new procedure for the provision of permanent benefits, respectively, by the Tax and Customs Codes.

The draft of the new Tax Code should be prepared by December 1 engaging of experts from the International Monetary Fund, the World Bank and other institutions, as well as public input.

The government will have to approve an Actions Plan to prevent a sharp increase in the administrative expenses of taxpayers for the fulfillment of tax obligations within two months. It is planned to simplify tax reporting and its integration with software products for the introduction of automated accounting, as well as improvement of tax administration.

Contact details: [tashkent@gratanet.com](mailto:tashkent@gratanet.com)

## Байршил

УЗБЕКИСТАН