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Uzbekistan Tax and Budget Law for 2019

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Uzbekistan has published Law No. 3PY-508 of 24 December 2018, which includes amendments in relation to the tax and budget policy for 2019. This includes measures approved earlier in the year by orders of the Uzbek President, with some changes:

A reduction in the standard corporate tax rate from 14% to 12%;

A reduction in the corporate tax rate for commercial banks from 22% to 20%;

An increase in the corporate tax rate for manufacturers of cement and polyethylene granules and mobile communication operators from 14% to 20% (50% rate reduction for mobile operators with higher profitability is removed);

A reduction in the corporate tax rate on dividends and interest income from 10% to 5% for residents (withholding tax for non-residents is maintained at 10%)

A reduction in the property tax rate for companies from 5% to 2%, but with increased rates for companies using property inefficiently;

The introduction of a simplified VAT regime for small taxpayers with annual revenue up to UZS 3 billion (excluding manufacturers of excisable goods and mineral resources extraction) that includes a reduced 7% VAT for all sectors, except for the following:

Construction – 8% rate;

Retail and/or wholesale trade – 6% rate;

Catering and hotel industry – 10% rate;

Professional services, such as auditing, tax consultancy, brokerage services, etc. – 15% rate;

Sale of agricultural products, unless self-produced – 4% rate.

The replacement of the progressive individual income tax rates of 7.5% to 22.5% with a flat rate of 12% (5% for dividend and interest income);

The repeal of the 8% contribution to the non-budget pension fund collected by employers on behalf of employees;

The replacement of the 25% unified social tax (15% for micro-firms, small enterprises, and farms) with a 25% social tax for state-owned and state-funded companies and those with 50% or greater state ownership and a 12% social tax for other companies.

A change in the late tax payment penalty of 0.05% per day of delay to 0.045% per day of delay, with an increase to 0.06% per day of delay where late payment is determined as result of a tax audit.

The law entered into force on 1 January 2019 and generally applies from that date, except for the simplified VAT regime, which

will be available from 1 January 2021.

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