

Business in Uzbekistan



Geographically situated in the heart of Central Asia, the country plays an important role as a bridge between Europe and the emerging economies of East, South and Southeast Asia.

As one of the fastest growing economies in the world according to the World Bank, Uzbekistan is becoming part of the global economic shift towards Asia. A number of significant multinational companies have established a long-term presence in the country and have benefited from the skilled and relatively inexpensive workforce.



Currency

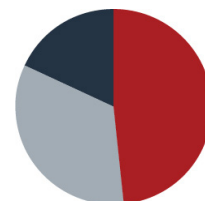
Uzbek som
(so'm)

Population

35.3
million



GDP Breakdown by Sector



■ Services
(48.5%)
■ Industry
(33.7%)
■ Agriculture
(17.9%)

Foreign Direct Investment (est. 2019)

1.7 million (USD)

GDP Growth (est. 2020)

6.2%

Business Climate

Uzbekistan has an area of 447,400 square kilometres (172,700 square miles). It is the 56th-largest country (after Sweden). Uzbekistan stretches 1,425 kilometres (885 miles) from west to east and 930 kilometres (578 miles) from north to south. Bordering Turkmenistan to the southwest, Kazakhstan and the Aral Sea to the north, and Tajikistan and Kyrgyzstan to the south and east, Uzbekistan is not only one of the largest Central Asian states but also the only Central Asian state to border all of the other four.

Uzbekistan is now the world's eighth-largest producer and the world's eleventh-largest exporter of cotton and the ninth world major producer of gold. It is also a regionally significant producer of natural gas, coal, copper, oil, silver and uranium.

Legislation on intellectual property includes the Civil Code, the Copyright Law, the Trademark Law, the Patent Law, the Law on the Selection Achievements, and the Law on Computer Programs and Databases Intellectual property rights. Specific rights in Uzbekistan include all rights to industrial property (including inventions, industrial designs, utility models, company names, trademarks, service marks, appellations of origin of goods) and copyright and related rights.

Uzbekistan is party to a number of international treaties regarding intellectual property.

The banking industry in Uzbekistan is regulated by the Banking Law, the Central Bank Law, various laws, and regulations issued by the Central Bank of Uzbekistan.

International Trade

Relations related to the implementation of foreign economic activity are regulated by the Law of the Republic of Uzbekistan *On foreign economic activity*.

The main objectives of this law are to ensure economic security, protect the economic sovereignty and economic interests of the Republic of Uzbekistan in the implementation of foreign economic activity, stimulate the development of the national economy and create conditions for the integration of the country's economy into the world economic system.

Trade Agreements

Uzbekistan has signed agreements with 10 countries in the field of trade and economic cooperation, with the provision of a free trade regime and agreements with 47 countries in the field of trade and

economic cooperation with the provision of most favored nation treatment.

Foreign Direct Investment Policy

To attract foreign direct investments, Uzbekistan established more than 20 free economic zones (FEZ) in various regions of Uzbekistan. Out of them, eight FEZs specialize in the pharmaceutical industry. The most notable one is Navoi FEZ, which includes an international air hub that has been developed in cooperation between Uzbekistan Airways and Korean Air. Apart from FEZs, Uzbekistan established approximately 60 Special Industrial Zones, residents of which may benefit from tax and investment protection legislation, similarly to entities of FEZs.

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Tax Regime

The main direct taxes applicable in Uzbekistan are:

Corporate Income Tax: Legal entities founded or registered in Uzbekistan are deemed to be residents of Uzbekistan for tax purposes. They are taxed on their profits gained from Uzbekistan and offshore sources.

Non-resident legal entities operating in Uzbekistan through a permanent establishment pay corporate profits tax on profits from sources in Uzbekistan associated with the permanent establishment, reduced by the amount of allowable deductions.

The general corporate profits tax rate is 15%. The tax rate is 20% for banks, cement producers, polyethylene granules producers, mobile telecommunications companies, as well as for markets and shopping malls. The tax rate for e-commerce companies is 7.5%.

Personal Income Tax: Individuals who are physically present in Uzbekistan for 183 days or more, in any period of up to 12 consecutive months, are considered to be residents of Uzbekistan for tax purposes. Resident taxpayers are subject to income tax on their worldwide income.

Personal income tax is payable at a flat rate of 12%.

Non-Resident Income Tax: Non-residents, however, are taxed at the source of income (without any deductions) on any Uzbekistan-source income. Certain types of income are exempt from taxation. Such income includes, inter alia, alimony, financial aid within the approved limits and pension income.

Non-residents are taxed on their employment-related income at the rate of 20%.

The main indirect taxes applicable in Uzbekistan are:

Value-Added Tax (VAT): Value-added tax (VAT) is a tax levied on taxable turnover and taxable imports. VAT is payable on turnover related to the sale of goods and services, as well as on import of goods. The current VAT rate is 15%.

As of January 1, 2020, non-residents of Uzbekistan are required to pay local VAT on a number of digital services provided to individual customers who live in Uzbekistan (or who use local bank accounts to pay the purchase price, have a network address registered in Uzbekistan, or use an Uzbekistan phone number to make the order).

Transfer and Stamp Tax: There are no transfer taxes in Uzbekistan.

According to Uzbek legislation, stamp duty (state due) is an obligatory payment charged for performance of legal actions and/or issuance of legal documents.

The following actions, among others, are subject to stamp duties: filing claims, performing notary actions, civil registration, state registration of a legal entity, and obtaining licenses/permits to carry out certain activities.

The rates of stamp duties generally vary from 0.5 to 20 times the BCU, depending on the type of action executed.

Excise Tax: The types of goods subject to an excise tax and the applicable taxation rates are determined by the President (including the production of alcohol or retail of gas products).

Establishing a Business

A foreign legal entity may establish a representative office to represent its interests in Uzbekistan. A representative office is a subdivision of a foreign legal entity and is not entitled to conduct business activity, which would result in income being generated in Uzbekistan. A representative office acts on the basis of Regulation (similar to a charter or company by-laws) and is managed by an individual authorized by the parent company under a power of attorney.

A branch is another type of a subdivision of a legal entity in a geographic area other than where the head office is located, which may fulfill all or part of the functions of its parent company, including income-generating business activity. At the present time, however, it is impossible in practice to establish a branch of a foreign entity in Uzbekistan. This is mainly due to the absence of the necessary legal framework dealing with the process of registering a branch of a foreign legal entity. For commercial operations there is also an option of registering a permanent establishment (PE) with the Uzbek tax authorities.

The following types of commercial legal entities may be formed under Uzbek law:

- Joint stock companies
- Limited liability companies and additional liability companies
- General business partnerships and limited business
- Partnerships
- Production cooperatives
- Private enterprises and unitary (state) enterprises

Employment Affairs

The employment of nationals and foreign citizens in Uzbekistan is regulated by the Labor Code. Labor relations are regulated by individual employment contracts and often also by collective agreements, which are entered into between labor unions in the interests of workers and employers. Employment contracts must meet the standards prescribed by Uzbek law. Companies may hire employees directly, without using employment or recruitment agencies.

Maternity Leave: Maternity leave must be given no less than 70 days prior to birth and 56 days following birth (up to 70 days in certain cases). After the maternity leave, at employee's request, she must be provided with the paid leave after childbirth until the child reaches 2 years.

Retirement: Men can retire upon reaching 60 years of age with a total length of service of at least 25 years and women can retire upon reaching 55 years of age with a total length of service of at least 20 years.

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