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# The President of the Republic of Uzbekistan has approved a differentiated business support system

In order to reduce the economic gap between administrative-territorial units, as well as introduce radically new approaches to the development of districts and cities, improve the business environment, the President of the Republic of Uzbekistan signed a Decree "On measures to divide the territories of the republic into categories and introduce a differentiated business support system" No. УП-287 dated December 30, 2022 (the "Decree No. УП-287").

204 districts and cities of the Republic of Uzbekistan are classified into 5 categories for the purposes of economic growth. The essence of each category is reduced to a differentiated amount of tax benefits and subsidies to business entities.

The Decree УП-287 establishes the following tax benefits in the period from January 1, 2023 to January 1, 2026:

1. Tax discounts: business entities registered and operating in areas classified as Category 5 (with the exception of large taxpayers, permanent institutions, budgetary organizations and state-owned enterprises, as well as legal entities in whose authorized capital (capital) the state share is 50 percent or more) pay tax on profit, turnover tax and social tax – at a tax rate of 1 percent; property tax on legal entities and land tax on legal entities – at a tax rate of 1 percent of the amount accrued on these taxes;
2. Tax exemptions: individual entrepreneurs registered and operating in areas classified as category 5 are exempt from paying personal income tax in a fixed amount;
3. For business entities registered and operating in areas classified as Category 4, the basic tax rate of turnover tax is set at 3 percent.

The decree also provides for a number of measures to support entrepreneurship based on the category of districts and cities, in particular:

- ▶ The amount of the state fee for obtaining licenses and permits in the field of entrepreneurial activity for districts and cities of 4 and 5 categories is set at 50% of the current rate;
- ▶ The amount of established payments for the provision of public services to business entities for districts and cities of 4 and 5 categories is also set at 50% of the current rate;
- ▶ The minimum cost of entrepreneurial projects, the costs of connecting to the infrastructure for which are covered by the state for districts and cities of category 1-3 are determined at 200 billion soums, and for category 4 and 5 – 50 billion soums, respectively.

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