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Tax changes in Uzbekistan from January 1, 2022

1) New tax base for corporate property tax

From January 1, 2022, the property tax rate for legal entities has decreased from 2% to 1.5%, but there have been set minimum limits for the value of buildings for calculating property tax of legal entities in absolute terms in the following amounts per 1 sq. m:

- ▶ in Tashkent - UZS 2.5 million (approximately USD 7);
- ▶ in Nukus and regional centers - UZS 1.5 million (approximately USD 138.4);
- ▶ in other cities and rural areas - UZS 1 million (approximately USD 92.2)

A corresponding change has been made to Article 412 of the Tax Code.

At the same time, the taxpayer has the right to make an independent assessment of the value of real estate objects if the cost of 1 sq. m of the object is below the minimum value established by Article 412 of the Tax Code. In this case, the results of an independent assessment will be recognized as a tax base.

In other words, now when calculating property tax legal entities cannot use the average annual residual value of buildings, which is below the minimum limits of the tax base.

2) The movement of fixed assets and inventory reserves will be monitored by the State Tax Committee.

In accordance with the Resolution of the Cabinet of Ministers No.595 of December 22, 2021 (the "Resolution No.595"), from January 1, 2022, VAT payers and legal entities with a State share of more than 50% are obliged to:

- ▶ reflect in the system of tax authorities E-aktiv (my.soliq.uz) all transactions related to registration (acquisition (construction), launch, revaluation, disposal) by business entities of fixed assets, intangible assets and inventory resources, and also the formation and reduction of its own authorized capital;
- ▶ reflect in the system of tax authorities E-aktiv the deregistration of inventories by business entities in the course of business activities due to loss as a result of unsuitability after the expiration of the storage period, physical and moral deterioration, as well as detection of shortage, loss or damage (breaking, separation) within 3 business days.

Accordingly, the tax authorities will be able to promptly monitor the movement of the above assets of the taxpayer and the balance of inventory resources, which serves to identify sham transactions to conceal the tax base and tax evasion.

3) Untimely registration of the lease agreement will result in the suspension of the VAT certificate

According to the Resolution No.595, from January 1, 2022, legal entities are required to register lease agreements in the E-Ijara system (ijara.soliq.uz). Failure to comply with this requirement may result in the suspension of the certificate of special VAT registration. Namely, the lack of information about the registration of a lease agreement by a legal entity in the absence of its own real estate is the basis for a decision by the tax authority to suspend the VAT certificate.

At the same time, the balances of inventory reserves stored on real estate objects, leased or used free of charge on the basis of contracts that are not registered in the E-Ijara system, are not subject to inventory stocktaking and for tax purposes are assessed

as non-existent in the taxpayer's warehouse.

In turn, there is a risk that this circumstance may be recognized as a concealment (understatement) of the tax base on the basis of Article 223 of the Tax Code, which entails a fine of 20% of the amount of the hidden (underestimated) tax base.

4) An electronic invoice can be sent only for goods available in the State Tax Committee database

In accordance with the Resolution No.595, there is provided a procedure, according to which, from December 22, 2022, an electronic invoice can be issued only if it contains a 17-digit product (service) code determined by the Unified Electronic National Product Catalog (tasnif.soliq.uz). At the same time, the list of products, the availability of which is automatically determined by the supplier, is compiled by the State Tax Committee, and if the supplier does not have the products sold, the possibility of issuing invoices is limited.

Thus, the taxpayer must reflect the movement and availability of products in the system of the tax authority, and can sell and issue sales invoices only for those products (goods, services) that are reflected in the system of the tax authorities, otherwise sending an electronic invoice is technically impossible.

5) Set-off of the VAT amount is possible without receiving foreign exchange revenue

The procedure for set-off of the VAT amounts payable (paid) on actually received goods (services) used for exported goods is established, regardless of the receipt of foreign exchange revenue on the taxpayer's accounts in the bank of Uzbekistan. This change was made in parts 3 and 4 of Article 266 of the Tax Code.

That is, a taxpayer, who has exported goods may set-off the VAT amount on these goods, regardless of the receipt of foreign exchange revenue from the counterparty, provided that the taxpayer is classified as a disciplined taxpayer, who ensures the timely receipt of foreign exchange revenue for the past year and does not have overdue receivables on export contracts.

It should be noted that the export of the taxpayer's goods is carried out at a zero VAT rate and in the above case, the VAT amount arising from the goods and works (raw materials) used for the goods sold is accepted for set-off.

However, in case of non-receipt of foreign exchange revenue within 180 calendar days from the date of release of goods for export, the VAT amount attributed to the offset is excluded from the offset.

6) The amount of credit is reduced by the degree of the tax gap

In order to provide taxpayers with additional information available to the tax authorities, for them to exercise due diligence in choosing counterparties, information on the tax gap coefficients (from 0.00 to 1.00) will be placed in the electronic invoicing system under the details of the supplier and buyer.

The following coefficients are determined:

- ▶ from 0.00 to 0.20 - "green" color - low tax gap;
- ▶ from 0.21 to 0.40 - "orange" color - the average level of the tax gap;
- ▶ from 0.41 to 0.60 - "light red" color - high level of tax gap;
- ▶ 0.61 to 1.00 - "dark red" color - very high tax gap.

The tax gap is understood as the reflection by the taxpayer in the tax reporting of VAT amounts subject to offset on the basis of invoices received from counterparty suppliers, when these counterparties did not pay VAT to the budget for these operations or

did not reflect these operations in their invoices or did not submit the tax returns to the tax authorities.

Therefore, when working, for example, with a counterparty with an average level of tax gap, the taxpayer can take into account set-off of the VAT amount reduced by the appropriate coefficient – 0.40.

7) Depreciation rates increased by 2 times

The groups of depreciable assets were revised taking into account the statistical classifier of fixed assets of Uzbekistan. According to the amendments, the annual maximum depreciation rate is set as follows:

- ▶ buildings – from 3% to 5%;
- ▶ structures (oil and gas wells, bridges, dams, etc.) – from 5% to 10%;
- ▶ transfer devices (main pipelines, power line devices, etc.), power machines and equipment (heat engineering, turbine equipment, etc.) – from 8% to 15%;
- ▶ working machines and equipment by type of activity (except for mobile transport) – from 15% to 20%;
- ▶ computers, peripheral devices, data processing equipment – from 20% to 40%.

Locations

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