

Main changes and developments in investment policy and regulatory framework in recent years in the Republic of Uzbekistan

The government of the Republic of Uzbekistan devotes significant affairs and resources to attracting foreign investment through policy incentives covering all spheres, marketing, cooperation with international organizations, creation and improvement of the connection with strategic important countries across the globe. The main goal is to develop long-term and mutually beneficial cooperation with foreign partners, based not only on the principles of trust and openness, but also on the principle of win-win situation, where each partner achieves the set goals.

Uzbekistan undoubtedly has a lot to offer to foreign business with the largest in Central Asia, dynamically developing market, political and macroeconomic stability, high economic growth rates, vast reserves of mineral resources in particular, precious metals, oil and gas, a fertile land with various crops, fruits and vegetables, the qualified personnel potential and low cost of energy carriers.

Now is the time to invest because the business climate in the country is rapidly improving and the economy is growing at astonishing rates.

Moving to commitment to liberalization, currency exchange issues and repatriation of profits, which previously has hampered investors from coming to Uzbekistan market, have already been resolved, as well as various incentives and benefits are now in place for foreign investors.

In the Action Strategy 2017-2021 approved last year economic development and liberalization are indicated as priority directions for the country development.

At the same time, attracting foreign direct investment is defined as an important component of the policy of economic development. Other key areas stipulated in the Action Strategy include stabilization, modernization, technological improvement, renewal of the tax system and the financial system enhancement.

A decisive step towards creating a favorable investment climate was the Presidential Decree of September 3, 2017 "On the Priority Measures for the Liberalization of Monetary Policy, which provides for free currency conversion for legal entities and individuals", which determined the establishment of the exchange rate of the national currency in relation to foreign currencies solely through the use of market mechanisms.

Earlier, Uzbekistan was associated with strict control of the outflow of currency - this issue was completely solved!

The requirement for exporters in previous years to sell part of their revenues domestically to the government at a low fixed rate is no longer relevant.

As part of the ongoing reforms, the state creates attractive conditions and provides various benefits to foreign investors. Within the framework of the created conditions are offered: 0% of income tax for SMEs, from 30 to 50% reduction in taxes, depending on the volume and range of exports, 0% VAT.

Moreover, at the moment 19 free economic zones are functioning in the republic and 16 SEZ are created by the Presidential Decree in the last two years. These decrees also unified the following tax and customs benefits to enterprises established within the FEZ:

- simplified customs procedures;
- full exemption from income tax, customs duties, social taxes and certain mandatory contributions.

In the recently published World Bank's Doing Business 2018, Uzbekistan recorded an improvement in its position by staggering 13 points over the past year, moving up to 74. This is one of the top 10 indicators in the rating for improving business environment. In general, since 2012 Uzbekistan's position has improved by more than 90 points.

Uzbekistan's actual vision about business is to do business, not paperwork, so in recent years it has been abolished more than 160 licensing procedures and 19 bureaucratic procedures.

Turning to economic growth, Uzbekistan is the 5th fastest growing economy in the world. The ambitions are to be among Top-3 in terms of growth rates, doubling the country's GDP by 2020. This is significantly higher growth rates than those to be expected in comparable regions, not to mention the more developed countries.

Moving to market, the country's population, as mentioned above, is over 32 million people, which makes Uzbekistan the largest consumer market in the Central Asia.

At the same time, taking into account the volume of free trade agreements, Uzbekistan's goods have duty-free access to the market of almost 300 million people, larger in volume than the market of Brazil or Indonesia and slightly yielding to the US market.

It has also a very attractive macroeconomic situation with a triple budget surplus for the past 10 years and a lack of domestic debt. The government always pays attention to investors' protection very seriously, provides adequate protection and guarantee fair treatment.

In particular, one of the last Presidential Decrees in this area was the decree "On establishment of the Ombudsman Institute under the President of the Republic of Uzbekistan on protection of rights and legal interests of business entities".

About success, around 50 of the world's leading brands have already invested in Uzbekistan. More than 5,000 companies with foreign capital are successfully operating in the country.

The Presidential decree dated 1 August 2018 adds significant changes on measures for drastic improvement of the investment climate in the Republic of Uzbekistan. As the main shifts it can be emphasized regulations about covering losses caused to investors, land acquisition for state and public needs, long-term lease of a non-agricultural land plot for up to 50 years, reductions of obligatory shares and payments in the statutory fund of an enterprise, right for foreign investors to receive a multiple three-year visa with the possibility of an unlimited number of renewals and more others.

As well as, this document is expected to be carried out considerably vital reforms addressing to improvement of the business conditions, for instance the topics are related to intellectual property, accreditation, International trade arbitration, labour activity, lease regulations, unification of the regulatory legal acts and others.

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. Tax burden on the payroll is cut;
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;

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

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

Also, President Shavkat Mirziyoyev signed a decree “On measures for basic improvement of activity of state customs bodies of the Republic of Uzbekistan”.

The document is aimed at radically improving the activities of customs bodies and the system of customs administration on the basis of generally accepted international norms and standards, as well as creating favorable conditions for accelerated development of entrepreneurship and tourism.