

ELEMENTS OF CORPORATE INCOME TAX IN UZBEKISTAN

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Abstract: This paper provides an overview of the key elements and provisions of corporate income tax in Uzbekistan. The Uzbekistan tax system has undergone significant reforms in recent years, aiming to create a favorable environment for domestic and foreign businesses. Understanding the elements of corporate income tax is crucial for companies operating in Uzbekistan to ensure compliance and optimize their tax obligations.

Key words: Corporate income tax, taxable entities, taxable income, net profit, allowable expenses, tax incentives.

Corporate income tax is a vital component of a country's tax system, generating revenue for the government and impacting the profitability and competitiveness of businesses. This essay aims to explore the elements of corporate income tax in Uzbekistan, including tax rates, tax base, deductions, and compliance requirements. Understanding these key aspects is crucial for businesses and investors operating in Uzbekistan to navigate the tax landscape effectively.

- **Corporate Income Tax Rates:** Uzbekistan has a flat corporate income tax rate structure based on the annual taxable profit of a company. The current rate is as follows: 15% of taxable profits.

It is important to note that these rates apply to both domestic and foreign companies conducting business activities in Uzbekistan.

2. **Taxable Income:** The taxable income for corporate income tax purposes in Uzbekistan is determined based on the financial statements prepared in accordance with local accounting standards. The taxable base generally includes revenues from the sale of goods, services, and property, as well as other income such as interest, dividends, and royalties. Certain deductions and exemptions are allowed, which will be discussed in the following section.

3. **Deductions and Exemptions:** Uzbekistan provides various deductions and exemptions to reduce the tax burden on businesses. Some notable deductions include:

- a. **Operating Expenses:** Ordinary and necessary expenses incurred in the production of income are deductible. This includes costs related to employee salaries, rent, utilities, and administrative expenses.

- b. **Depreciation:** Businesses can claim depreciation deductions for the wear and tear of their assets used in production. Uzbekistan follows the straight-line method for depreciation calculations.

- c. **Research and Development (R&D) Expenditures:** Qualified R&D expenses can be deducted from the taxable income, encouraging innovation and technological advancements.

- d. **Investment Incentives:** Certain investment projects or activities in priority sectors may be eligible for tax exemptions or reduced tax rates to attract investment and promote economic growth.

4. **Compliance Requirements:** Uzbekistan's tax legislation imposes several compliance requirements on businesses, including:

- a. **Tax Return Filing:** Companies are required to file annual tax returns, providing detailed information about their financial activities and calculating the corporate income tax liability. The deadline for tax return submission is generally March 20th of the year following the reporting period.

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b. Advance Payments: Uzbekistan's tax law requires quarterly advance payments based on the estimated tax liability. These payments help distribute the tax burden throughout the year.

c. Transfer Pricing: Uzbekistan has transfer pricing regulations to prevent tax avoidance through the manipulation of prices in transactions between related parties. Companies must comply with these rules and maintain appropriate documentation to support their transfer pricing policies.

d. Tax Audits: Tax authorities in Uzbekistan have the authority to conduct tax audits to verify the accuracy and completeness of tax declarations. Maintaining proper records and documentation is essential for businesses to substantiate their tax positions.

In conclusion, understanding the elements of corporate income tax in Uzbekistan is crucial for businesses and investors operating in the country. The progressive tax rates, determination of taxable income, deductions, exemptions, and compliance requirements all shape the tax landscape. By navigating these elements effectively, businesses can optimize their tax planning strategies while ensuring compliance with Uzbekistan's tax laws.

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