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## **Uzbekistan's economic policy response to COVID-19 pandemic**

Unprecedented measures are being taken on a global scale to combat the spread of coronavirus infection, in particular by the introduction of restrictions on the movement of people and the suspension of enterprises.

This has caused a sharp decline in production and consumption in major economies, disruption of global production chains and trade relations, lower commodity prices and worsening global financial markets.

The economy of Uzbekistan is also affected by these factors, which requires the adoption of effective proactive measures to mitigate their negative impact. Particular attention should be paid to supporting and ensuring the sustainability of such rapidly developing sectors of the republic's economy as tourism, transport, pharmaceutical and textile industries.

In order to ensure macroeconomic stability, uninterrupted operation of industries and economic sectors, stimulate foreign economic activity, provide effective social support to the population during the period of counteracting the spread of coronavirus infection and other global risks, and preventing a sharp decline in the country's population incomes.

- The Anti-Crisis Fund under the Ministry of Finance of the Republic of Uzbekistan (hereinafter - Anti-Crisis Fund) was established in the amount of 10 trillion soums (~ 988.8 million US dollars). Its resources are used to combat coronavirus infection, support entrepreneurship and employment, including infrastructure projects, Ensuring the sustainable functioning of economic sectors and increasing social support for the population.
- Furthermore, The Republican Anti-Crisis was established, and headed by the Prime Minister. Commission promptly solves the problems and prepares additional measures.<sup>1</sup>

By the decree № 5969 "On priority measures to mitigate the negative impact on the economy of the coronavirus pandemic and global crisis phenomena" dated March 20, 2020, the President of Uzbekistan approved a package of measures to mitigate the negative impact of the coronavirus pandemic and global crisis on the economy.

### **General economic activities:**

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<sup>1</sup> <https://review.uz/ru/post/podderjka-biznesa-vo-vremya-pandemii-tablica-mer>

1. Attracting external borrowings up to 1 billion US dollars to support the budget at the expense of soft loans from international financial institutions and other sources in order to ensure financing of the State Budget and the Anti-Crisis Fund.
2. Formation of additional infrastructure projects in the regions of the republic, financed from the funds of the Anti-Crisis Fund and providing for construction, reconstruction and repair- more than 3.6 trillion soum (~ 356 million US dollars).
3. The capitalization of the State Fund for the Support of Entrepreneurship is increasing, taking into account the need to expand the volume of provision of guarantees to business entities and compensation for covering interest expenses on loans

### **Enterprise Support**

1. From April 1 to October 1, 2020:
  - For individual entrepreneurs, the minimum amount of social tax is reduced to 50% of monthly income tax;
  - The amount of deductions for wholesalers of alcoholic beverages is reduced from 5% to 3%;
  - Fees for the right to retail alcohol products for catering enterprises are reduced by 25% of the established amounts.
2. From April 1 to July 1, 2020: the accrual and payment of tourist (hotel) tax is suspended.
3. Tax rates for the use of water resources for the volumes used for irrigation of agricultural land are reduced by 50% of the established rates.
4. The submission of a declaration on the total annual income of individuals for 2019 is extended until August 1, 2020.
5. The deadline for payment of property tax and land tax of individuals is extended until October 15, 2020.
6. From April 1, 2020: Incomes of individuals received in the form of material benefits from charitable organizations are exempted from taxation.
7. During the time of antiviral measures it is recommended that Kengashes of people's deputies of districts and cities to reduce by 30% the fixed amount of personal income tax for individual entrepreneurs whose activities directly or indirectly depend on the tourism sector.
8. An extension (installment plan) is granted to business entities for payment of property tax, land tax and tax for the use of water resources without interest (for 6 months).
9. Until October 1, 2020:
  - The application of penalties to business entities for overdue receivables from foreign trade operations is suspended;

- The accrual of interest on property tax, land tax and tax for the use of water resources to business entities experiencing temporary difficulties is suspended, and measures to enforce collection of tax debt are not taken.
- 10. Measures are being taken to expand the remote servicing of taxpayers to fulfill tax obligations without visiting tax authorities.
- 11. Until January 1, 2022: the tax audit of the activities of business entities is paused, with the exception of a tax audit conducted in criminal cases and in connection with the liquidation of a legal entity.

### **Export support**

1. During the year 2020, entrepreneurs are allowed to:
  - export of goods without guarantee payment with the existing overdue receivables not exceeding 10% of the total export of goods for the reporting year;
  - one-off operations for the import of technological equipment and raw materials in exchange for the repayment of overdue receivables from foreign trade operations.
2. From April 1, 2020: the mechanism of customs clearance of imported food products is being introduced in an accelerated manner, including by issuing permits before the goods arrive on the territory of the Republic of Uzbekistan.
3. Until October 1, 2020: the Republican Commission for the Development of the Export Potential of Regions and Industries is granted the right to independently make decisions on the provision of subsidies to compensate for part of the transport costs of exporters from the funds allocated to the Export Promotion Agency<sup>2</sup>.

### **According to Presidential Decree № 5978 of April 3, 2020, was established that from April 1 to December 31, 2020:**

a) tour operators, travel agents and tourism entities providing hotel services (accommodation services), «Uzbekistan Airways» JSC and its structural divisions, «Uzbekistan Airports» JSC and «Uzairnavigation Center» State Unitary Enterprise:

- exempt from paying land tax from legal entities and property tax of legal entities;
  - pay social tax at a reduced rate of 1 percent;
- b) payers of value added tax, the turnover on the sale of goods (services) of which does not exceed 1 billion soums (~ 98.8 thousand US dollars) per month

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<sup>2</sup> <https://lex.uz/ru/docs/4770763>

and using electronic invoices, has the right to calculate and pay value added tax on a quarterly basis;

c) the procedure for applying increased property tax and land tax rates in relation to unused production areas, non-residential buildings, including those identified before April 1, 2020, as well as interest and penalties for recovering debts arising from the application of increased rates, is suspended on the specified taxes.

### **Enterprise Support**

1. The calculation of a fixed amount of personal income tax and social tax are suspended for individual entrepreneurs who have been forced to suspend their activities for the period of quarantine measures, without having to submit a certificate of state registration, with notification of suspension of the activities of the state tax service through a personal taxpayer account.
2. Granted the right to interest-free deferment (installment plan) of taxes for a period up to October 1, 2020 with notification of tax authorities to micro-firms, small enterprises and individual entrepreneurs who have suspended their activities and (or) whose revenue from the sale of goods (services) is reduced by more than 50 percent compared to the monthly average for the first quarter of this year. By the Presidential Decree №5986 from April 27, 2020, the period for granting interest-free deferral (installment plan) has been extended until December 31, 2020.<sup>3</sup>

It is determined that until October 1, 2020, the State Fund for Supporting the Development of Entrepreneurship provides:

- guarantee on loans issued to business entities with a positive credit history for working capital replenishment, up to 75 percent inclusive of the loan amount, but not more than 10 billion soums (~988.7 thousand US dollars), regardless of the number of projects;
- compensation for interest expenses on loans issued to business entities in national currency for working capital replenishment with an interest rate not exceeding 1.75 times the basic rate of the Central Bank, while maintaining the established compensation amounts.

It is determined that:

- a moratorium is introduced up to October 1, 2020 to initiate bankruptcy procedures and declare bankruptcy of enterprises faced with financial difficulties due to restrictive measures introduced to counter the spread of coronavirus infection;

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<sup>3</sup> <https://lex.uz/docs/4800007>

- The deadline for conducting an audit at the end of 2019 for business entities subject to a mandatory audit is extended until October 1, 2020;
- the accrual and collection of rental payments for the use of state property by business entities that are forced to suspend their activities for the period of the quarantine measures are suspended;
- income tax payers have the right to submit a certificate of the amount of advance payments on income tax starting from the second quarter of 2020 based on the expected volume, with the abolition of the requirement of its calculation based on the results of the previous quarter.

**Presidential Decree №5996 "On Next Measures to Support the Population and Entrepreneurship during the Coronavirus Pandemic"<sup>4</sup> from May 18, 2020 includes:**

**Enterprise support**

From June 1 to September 1, 2020 small businesses, as well as markets and shopping malls, cinemas, public catering, public transport, legal entities carrying out activities for the carriage of passengers, are exempt from paying property tax and land tax domestic services, the provision of premises for rent, including for banquets, and sports and fitness facilities.

Small business will be provided with additional state support in the form of write-offs of amounts:

- write-offs of property tax and land tax payable for April and May, for which interest-free deferral (installment plan) was provided in accordance with Presidential Decrees № 5969 of March 19 and №5978 of April 3, 2020;
- write-offs of penalties and fines for land tax and property tax as of May 15, formed on January 1.
- the right to apply a deferral of payment of customs duty and excise tax levied on the importation of goods, except for consumer goods, for a period up to July 1 with subsequent payment deferred amount in equal installments for 120 days.
- from May 1 to July 1 the social tax rate is reduced from 12% to 1%.
- the decree suspends the collection of debts on taxes, penalties and accrued fines for violation of tax laws by micro-firms and small enterprises as of May 15.

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<sup>4</sup> <https://lex.uz/ru/docs/4815482>

The decree instructed to provide additional state support in the form of the provision by the State Fund for the Support of Entrepreneurial Activities of compensation for covered interest expenses:

- for investment loans issued in national currency with an interest rate not exceeding 1.75 times the basic rate of the Central Bank in the first year of the loan agreement;
- on loans in the amount of up to 500 million soums (~ 49.5 thousand US dollars), issued before October 1 in national currency for working capital replenishment, in the amount of 10 percentage points for the duration of the loan agreement.