On October 6, 2021, the president of the Republic of Uzbekistan signed Decree No. UP-6319 “On measures for further stimulation of geological exploration and improvement of taxation for subsoil users,” (the “Decree”), which provides for the following legislative changes affecting a wide range of issues in the mining and natural resources sector. They can be divided by time into two groups:

**Most importantly**, as of January 1, 2022:

- A new, special procedure for bidding on the right to use subsoil areas for geological exploration or production is in effect. It applies to the following areas:
  - Hydrocarbons
  - Precious, non-ferrous, rare and radioactive metals
  - Other types of ore mineral objects.

- The amount of realization is considered a bonus amount; accordingly, the commercial discovery bonus and subscription bonus are cancelled.

- Bidders are granted the right to propose increased tax rates for certain types of extraction taxes.

- Land plots allotted for geological exploration and (or) survey works are no longer subject to the land tax.

- An annual license fee is introduced for subsoil use in geological exploration. The cost of the fee will depend on the specific area and types of subsoil minerals.

**Second**, as of October 1, 2021, in connection with exports and imports of natural gas:

- The excise tax rate is set at 0 percent for exports.

- Legal entities will be exempt from customs duties on imports of natural gas.

The Decree further set the task to submit a draft law “On amendments and additions to the Tax Code of the Republic of Uzbekistan” to the Cabinet of Ministers by December 1, 2021, which provides that, from January 1, 2022:

- The subsoil use tax rates for oil and natural gas will be reduced to 10 percent, for gold and copper to 7 percent, for tungsten to 2.7 percent, and for uranium to 8 percent.

- A tax on rental income will be introduced for subsoil users at new discoveries.

- New oil and gas wells will be exempt from corporate property tax for the first two years, starting from the month of
Exploration companies and their contractors and subcontractors are exempt from:

- Local enterprises engaged in search and exploration of hydrocarbon fields are subject to incentives for income tax, property tax, land tax, tax on the use of water resources for the period of exploration, as well as incentives for customs duties (excluding VAT) on the import of equipment, material and technical resources and services necessary for surveying, exploration and other related work.

Eldor Mannopov
Country Managing Partner,
Tashkent
D +99 878 150 31 05
eldor.mannopov@dentons.com

Bobur Shamsiev
Partner, Tashkent
D +99 878 150 31 05
M +99 890 358 97 63
bobur.shamsiev@dentons.com

From January 1 to December 31, 2021 the taxable base for the subsoil use tax for the production of oil, natural gas and certain kinds of minerals will be reduced by expenses associated with transportation and refining.

The tax rates for subsoil use for non-metallic minerals are to be unified.

Enterprises with foreign investment (i.e. payers of tax on rental income) will be granted the right to carry out tax accounting in US dollars.

Exploration companies and their contractors and subcontractors are exempt from:

- Periodic customs fees for temporary importation of special equipment
- Customs duties on imports of equipment, special facilities and material and technical resources not produced in Uzbekistan, in accordance with a separate list.

Local enterprises engaged in search and exploration of hydrocarbon fields are subject to incentives for income tax, property tax, land tax, tax on the use of water resources for the period of exploration, as well as incentives for customs duties (excluding VAT) on the import of equipment, material and technical resources and services necessary for surveying, exploration and other related work.

Your Key Contacts

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