

## WORKING GROUP 5 - MINUTES

**Event: Minutes of the FIC Working Group Meeting “Investing across borders”**

**Date: Thursday, March 30, 2023**

**Duration: 16.30-18.00**

**Moderated / Chaired by:** Golib Kholjigitov, Head of FICS

**Present from FIC:** Golib K., Avazbek M., Gamlet K., Nargiza M., Gulnoza U.

**Present from stakeholder and investors:** MIIT – Tengiz Asanov, World Bank, ADB, Coca cola, Suez, Zeppelin, Silverleaf, Mitsubishi corporation, Mitsui, White and Case.

**Venue:** MIIT Office, 1<sup>st</sup> floor, Tashkent

**Next meeting:** TBD

**Representative of MIIT –** Mr. Tengiz Asanov gave opening remarks.

### DISCUSSION TOPICS:

**1. Golib Kholjigitov, FIC, head of secretariat** – 4 working groups and 3 subgroups launched, started quarterly surveys on invest climate.

**2. Dan Patterson, Silverleaf** – highlighted that Silverleaf is working in Uzbekistan since 2018, our company is worth more than 50 mln. USD. We plan to attract investment partners to Uzbekistan. But we are facing problem with **paid in capital tax**. It has to be reconsidered since FDI attraction is priority for Uzbekistan. Increasing of Charter capital of company doesn't have to be taxed if we invite new investors to our company. Silverleaf is ready to work with FIC Secretariat and MIIT on this issue.

Another issue is burden on accounting, if we compare with US, spending for accounting in Uzbekistan is much higher, we are ready to share international best practices in this field and make business more efficient through improvement of tax administration.

Custom clearance system needs to reformed, due to existence of several manual options to determine goods price.

#### Proposals:

1. To make amendments to the tax code, so that any investments, including additional investments to the charter capital are not viewed as revenue, thus not taxed;

2. To analyze and review tax code with comparable countries and make it less burdensome;

3. To analyze and review custom clearance system, due to existence of several options to determine the quotation (prices) of the imported equipment.

**3., White & Case** – tax on **increasing charter capital** “additional new investors” is “bad practice” which doesn't exist in many of the developing economies. It has to be reconsidered. Exception of equipment imported has to be reconsidered as well, it's an extra burden for investors.

**4. Dilshod, Zeppelin** - Customs authority applying higher duty rate for dealers and direct importers, need to make custom clearance based on invoice, too many documents. In current risk management system of State Customs Committee corridors can be changed to worse (from yellow to red) manually. Farmers can use ISO certificate (only agriculture) to fix the invoice price in customs clearance procedure. We propose to apply this rule for other sectors as well.

Proposals:

1. To introduce customs clearance system based on invoice (Tajikistan uses invoice), rather than asking for many documents;

2. To allow firms from other sectors which have appropriate ISO certificates (it is currently applied in agricultural sector for farmers) to fix the invoice price in customs clearance procedure

3. To modernize risk management system of State Customs Committee corridors from manual to more transparent and automatic (to decrease human factor and corruption)

4. To improve international roads (equipment is coming damaged) from Kazakhstan's entry point in Karakalpakstan to Bukhara.

**4. Chinara, Coca cola** – highlighted that the process of obtaining certificate of conformity is outdated. It takes 10 to 14 days to get of certificate of conformity. We propose to give unlimited period of time for certificate for same product.

We need to provide certificate from original producer. It takes a lot of time and effects the efficiency of CCBU.

Proposal: to give unlimited (long, extended) period of time for certificate for same product.

**5. Alberto Garcia, SUEZ** – “cash based” approach can be solution for VAT reimbursement issues in Uzbekistan.

Proposal: to use “cash based” approach in accounting as a solution for VAT reimbursement issues.

**6. Cigdem Akin, ADB, Economist** – highlighted that Government of Uzbekistan needs to take further steps to simplify tax regime and tax administration. There is a need to harmonize domestic and international legislation regarding taxation. ADB is ready to help Gov. of UZB. Currently ADB supporting tax committee on KPI implementation.

Proposal: further simplification of tax regime and tax administration is needed.

## RESOLUTION / ACTION PLAN

Topics	Resolution /Proposal	Responsible	Timeline / Status
1. Electing WG lead	- Dan Patterson was appointed as WG lead	-	-
1. Taxation	- to make amendments to the tax code, so that any investments, including additional investments to the chapter capital are not viewed as revenue, thus not taxed	Mineconomfin Tax comittee MIIT	2023-2024
2. Taxation	- to analyze and review tax code with comparable countries and make it less burdensome	Mineconomfin Tax comittee MIIT	2023-2024
3. Customs	- to analyze and review custom clearance system, due to existence of several options to determine the quotation (prices) of the imported equipment	Mineconomfin Customs Comittee MIIT	2023-2024
4. Customs	- to introduce customs clearance system based on invoice (Tajikistan uses invoice), rather than asking for many documents;	Mineconomfin Customs Comittee MIIT	2023-2024
5. Customs	- to allow firms from other sectors which have appropriate ISO certificates (it is currently applied in agricultural sector for farmers) to fix the invoice price in customs clearance procedure	Mineconomfin Customs Comittee MIIT	2023-2024
6. Customs	- to modernize risk management system of State Customs Committee corridors from manual to more transparent and automatic (to decrease human factor and corruption)	Mineconomfin Customs Comittee MIIT	2023-2024
7. Roads	- to improve international roads (equipment is coming damaged) from Kazakhstan's entry point in Karakalpakstan to Bukhara	MIIT Mintransport	2023-2024
8. Certification	- to give unlimited (long, extended) period of time for certificate for same product	MIIT	2023-2024
9. Taxation	- to use "cash based" approach in accounting as a solution for VAT reimbursement issues	Mineconomfin Tax comittee MIIT	2023-2024
10. Taxation	- further simplification of tax regime and tax administration is needed.	Mineconomfin Tax comittee MIIT	2023-2024