

**SPECIAL ECONOMIC ZONES AND INVESTMENT PRIVILEGES IN
UZBEKISTAN: INCENTIVES FOR FOREIGN INVESTORS****Qadamova Komila Tojiboy qizi****Master degree student at Ma'mun University**

Annotation. This article examines the sectoral structure of free economic zones in the Republic of Uzbekistan and the available benefits and incentives to attract foreign investment.

Keywords. Special economic zones, investments, investment privileges and incentives.

Аннотация. В настоящей статье изучена отраслевая структура свободных экономических зон в республике Узбекистан и имеющиеся льготы и стимулы для привлечения иностранных инвестиций.

Ключевые слова. Специальные экономические зоны, инвестиции инвестиционные привилегии и стимулы.

Annotatsiya. Mazkur maqolada O‘zbekiston Respublikasidagi erkin iqtisodiy zonalarning tarmoq tuzilmasi hamda xorijiy investitsiyalarni jalb qilish uchun mavjud imtiyozlar va imtiyozlar o‘rganildi.

Kalit so‘zlar. Maxsus iqtisodiy zonalar, investitsiya, investitsiya imtiyozlari va rag‘batlantirish.

Introduction.

After gaining independence, Uzbekistan implemented a number of reforms to transition to a market economy. One of them is the establishment of free economic zones, which are aimed at attracting foreign investment, developing innovative production, and reducing regional economic inequality.

A free economic zone is a specially designated area with clearly defined administrative boundaries and a separate territorial regime, created to attract domestic and foreign capital, promising technologies and management experience for the accelerated socio-economic development of the region. Free economic zones are most often established in interstate contiguous areas (areas where the borders of several states adjoin), at international airports, port cities or in areas adjacent to transport routes. The establishment of free economic zones (FEZs) and the definition of effective development directions for them are listed as one of the strategic priorities of the state investment policy of the Republic of Uzbekistan. This decision is aimed at attracting foreign investment, stimulating the growth of the country's economy, creating new jobs and increasing global competitiveness, which is a necessary factor in strengthening the country's economic stability and innovative development.

The following factors play a special role in the formation of FEZs:

- the economic and geographical position of the territory must be very favorable for the



investor;

- there must be intersections of highways of at least regional importance;
- proximity to sea and river ports;
- airports must have international status.

As global experience shows, creating a preferential tax regime, providing the necessary production infrastructure, and providing state guarantees in such zones not only leads to growth in regional GDP in the territories where the SEZs are located, but also contributes to overall economic growth.

In terms of reforming the national economy, serious attention is paid to the liberalization of foreign trade, tax and financial policies, support for entrepreneurship and guaranteeing the inviolability of private property, organization of deep processing of agricultural products, and accelerated development of regions. Strengthening social protection of citizens and reducing poverty are identified as priority areas of state policy, and special attention is paid to the issues of providing the population with new jobs and a guaranteed source of income, qualified medical and educational services, and decent living conditions to a qualitatively new level.

According to official data from the Agency for Attracting Foreign Investments under the Ministry of Investment, Industry and Trade of the Republic of Uzbekistan, there are currently 21 FEZs operating in the republic, of which: 8 SEZs of the pharmaceutical industry - Nukus-pharm, Zomin-pharm, Kosonsoy-pharm, Sirdaryo-pharm, Boysun-pharm, Bustonlik-pharm, Parkent-pharm, Andijon-pharm;

- 1) 12 SEZ industrial industry – “Navoi”, “Angren”, “Djizak”, “Urgut”, “Gizhduvan”, “Kokand”, “Chirokchi”, “Nukus”, “Syrdarya”, “Namangan”, “Khazarasp”, “Termez”;
- 2) 2 SEZs for the agricultural sector – “Baliq Ishlab Chikaruvchi”, “Bukhoro-Agro”;
- 3) 1 SEZ tourism industry – “Charvak”.

According to the Decree of the President of the Republic of Uzbekistan dated 03.05.2017 N UP-5032 p. 3 The term of operation of SEZ “Zomin-farm”, SEZ “Kosonsoy farm”, SEZ “Sirdaryo-farm”, SEZ “Bustonlik-farm” and SEZ “Parkent farm” is 30 years with the possibility of its subsequent extension. During the term of operation on the territories of SEZ “Zomin-farm”, SEZ “Kosonsoy-farm”, SEZ “Sirdaryo-farm”, SEZ “Bustonlik-farm” and SEZ “Parkent-farm” special tax and customs regimes apply[1].

Tax and customs benefits, as well as preferences, are an effective tool for attracting foreign investment to the Republic of Uzbekistan. This includes exemptions from corporate income tax, VAT, property tax, social tax, and the single tax payment in effect on the date of registration.

According to Article 473 of the Tax Code of Uzbekistan, participants in free economic zones are exempt from paying income tax depending on the investments they make in the amount of between 3 million US dollars and 5 million US dollars - for 3 years; in the amount of between 5 million US dollars and 15 million US dollars - for 5 years; in the amount of 15



million US dollars and above - for 10 years [2].

Benefits are granted subject to the following conditions:

- 1) at least 33% foreign participation in the authorized capital of a limited liability company (LLC) and at least 15% for joint-stock companies;
- 2) at least 50% of the income received as a result of the benefits is reinvested for further development;
- 3) foreign investment (FI) is made in the following industries: light industry, meat and dairy, food, chemicals, petrochemicals, etc.
- 4) enterprises with foreign investment are located in populated areas of the Republic of Uzbekistan, with the exception of the city of Tashkent and the Tashkent region (restrictions do not apply to the tourism and waste management sectors).

According to official data from the Agency of Statistics under the President of the Republic of Uzbekistan, 16 SEZs were operating in 2019. This number increased to 23 in 2023. It should be noted that special economic zones occupy a specific niche in the country's economy and have a positive impact on macroeconomic indicators. In 2022, 679 resident enterprises were listed in the register of resident enterprises.[3]

The republic has created a legislative framework for providing tax and customs benefits and preferences to attract foreign investors. However, there is still no document regulating the performance evaluation of special economic zones or methodological recommendations for assessing the performance of resident enterprises.

A significant problem is the failure of businesses to fulfill their contractual obligations in a timely manner, resulting in land plots allocated in the SEZ remaining unused. President of the Republic of Uzbekistan Shavkat Merziyoyev has proposed expanding the SEZ until all the land is developed.

References:

1. Decree of the President of the Republic of Uzbekistan dated May 3, 2017, No. UP 5032 “On the creation of free economic zones “Zomin-pharm”, “Kosonsoy Pharm”, “Sirdaryo-pharm”, “Bustonlik-pharm”, and “Parkent-pharm” - Access mode: URL: accessed (March 22, 2024).
2. Arslanov U.U. Methodological aspects of assessment and effectiveness of special economic zones in Uzbekistan // Economy, entrepreneurship and law. - 2024. - Vol. 14. - No. 4. - doi: 10.18334/epp.14.4.120652.
3. Agency of Statistics under the President of the Republic of Uzbekistan