

FREE ECONOMIC ZONES IN UZBEKISTAN: THE CONDITIONS AND EXPECTED EFFICIENCY

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ABSTRACT

Free economic zones (FIEZ) became one of the most effective and promising forms of attracting investment for development of economic and scientific potential. There are currently about 3000 FIEZs in 120 countries worldwide. The most important aspect of the functioning of the FIEZ is a system of preferences and privileges granted to foreign and domestic investors.

KEYWORDS: Free Economic Zones, Tax and Custom

INTRODUCTION

Today, with the liberalization and modernization of the economy, in order to ensure the products conforming to international standards, it is necessary to create favorable conditions to attract foreign investment, primarily direct investment. Certainly, free economic zones are designed to address these pressing problems:

- Accelerating the development of innovation, the introduction of advanced technology, the development of export infrastructure, transport and telecommunications;
- Improving competitiveness through the implementation of the requirements of international quality certification and packaging of local products and services in the domestic and foreign markets;
- Makes it possible to address such critical issues as the creation of new jobs, the training of skilled workers, engineers, and business managers.

Main purpose of the organization of free economic zones is the promotion of economic development of a given region or industrial sector, in addition, the use of free economic zones as a method of upgrading the regional economy in the period of transition to a market economy. International experience shows that, today, free economic zones are used not only to raise capital, but also as a means of regional economic policy. In Uzbekistan, in order to achieve these objectives, as well as for the implementation of activities in free economic zones benefits of international experience were created:

- Free Industrial Economic Zone "Navoi";
- A special industrial zone "Angren";
- A special industrial zone "Djizak".

Free Industrial Economic Zone (FIEZ) "Navoi" was organized by the decree of the President of the Republic of Uzbekistan № 4059 of 02.12.2008 year. It is located in the district of Navoi region Karmana. Area of 500 hectares, on which a special legal regime, including tax, currency and customs regimes, simplified procedure for entry, stay and departure, as well as obtaining permits for employment non-resident citizens of the Republic of Uzbekistan. The legal basis

for the functioning of FIEZ "Navoi" governed by the "Regulations on the free industrial economic zone "Navoi" (approved by the Cabinet of Ministers of Uzbekistan on 27.01.2009, № 21).

The main activity of business entities in FIEZ is to develop a wide range of high-tech industries, competitive on world markets through the introduction of modern high-efficiency equipment and machinery, production lines and modules, and innovative technologies. If your company has this feature, you may contact the Directorate FIEZ with the application for the listing of participants in economic activity and to register in the free industrial and economic zone. In the case of a positive decision, you become the owner of the following:

Tax Benefits

Residents in FIEZ "Navoi", the volume of direct investments made are exempt from land tax, property tax, income tax, tax on improvement and development of social infrastructure, unified tax payment (for small businesses), as well as mandatory contributions to the Republican road Fund and Republican school Fund :

- 3 million Euros to 10 million Euros - for 7 years;
- From 10 million Euros to 30 million Euros - for 10 years. However, the 5-year rate of single tax payment shall be fixed at 50 % below current rates;
- More than 30 million Euros - for 15 years, and for 10 years the rates of the EPP shall be fixed at 50 % below current rates.

Customs Privileges

Enterprises registered in FIEZ "Navoi" are exempt from the payment of customs duties (except for customs clearance) for imported equipment and raw materials and components for the production of exports for the whole period of operation of the free industrial and economic zone.

In order to manufacture products intended for sale in the domestic market of Uzbekistan, customs duties for goods imported into the country raw materials and component products, if legal documents are not provided other benefits, are charged at the rate of 50 % of the rates (except for customs clearance), with this time of payment may be extended to 180 days.

Special industrial zone (SIZ) "Angren" and "Djizak" organized by the decree of the President of the Republic of Uzbekistan № 4436 of 13.04.2012 in the city of Tashkent region and the presidential decree number 4516 of 18.03.2013, the Djizak in the field, along with the branch of the district Syrdarya region, respectively. The main tasks and activities of these zones is considered to be:

- Creating an enabling environment to attract investments, especially direct, for establishment and effective operation of modern high-tech productions for competitive on the domestic and global markets products with high added value;
- Providing integrated and effective use of production and resource potential of the region included in the special industrial zone, the creation of new enterprises to more advanced processing of mineral resources;
- Deepening the processes of localization of production of high-tech products based on local raw materials and on the basis of establishing close cooperative ties and development of industrial cooperation between enterprises of special industrial zones and the whole country;

- Provision of advanced development and efficient use of the transport, engineering, communications and social infrastructure, further development and widespread use of the potential of the logistics center "Angren" created a system of roads and container cargo.

Place participant in these special industrial zones defined by the Governing Body of SIZ "Angren" and "Djizak."

During the period of implementation of actions on the territory of special industrial zones are special tax regime and customs privileges. Tax incentives and preferences of residents SIZ "Angren" and "Djizak":

- Income tax , property tax of legal entities , the tax for the improvement and development of social infrastructure , the single tax for small businesses, as well as mandatory contributions to the Republican Road Fund;
- Customs duties (except customs duty) on the equipment, components and materials that are not produced in the country , imported into the territory of SIZ "Angren" and " Djizak " in the implementation of projects on the lists approved by the Cabinet of Ministers.

The above benefits are available depending on the amount of investments made, including the equivalent of:

- 300 thousand U.S. dollars to \$ 3 million - for a period of 3 years;
- More than \$ 3 million to \$ 10 million - for a period of 5 years;
- More than \$ 10 million - for a period of 7 years.

In Uzbekistan, the organization of free economic zones and attitudes regarding their activities are regulated by the Law of the Republic of Uzbekistan "On free economic zones", adopted on 25 April 1996. In addition, taking into account established in the territory of the free economic zone of a special legal regime, as well as reflected in the specific list provided at the time of the economic activities of privileges and preferences to the current law introduced the possibility of reflecting the decree on the organization of free economic zones of additional guarantees and benefits.

CONCLUSIONS

In turn, the economic agents in free economic zones established on taxation and customs duties being able to save on average as a result of defined benefits in relation to other territories for those costs 15-20 % equity acquisition of local raw materials from most of the costs associated with production and, thereby, reduce production costs by an average of 10-15 %, as well as through direct sales of their products to consumers to increase profits by 15-20 %. In general, through the implementation of activities in free economic zones, economic agents can save an average of 20-30 % of its own funds and increase revenues by 15-20 %.

Thus, in free zones entities have the possibility of introducing new production techniques and technology and the expansion of its activities to maximize income.

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