

Project Umpire  
Fiscal Working Group Meeting  
Thursday April 21st at 3pm

**MATTERS OF INTEREST:**

**Uzbek Parties Position:**

**Income Tax Holidays**

- existing legislation provides 2-5 year holidays;
- what we are asking for is in fact a 7 year holiday
- 5 years extremely generous
- available from date of registration
- if provided from date of operation of new factory would we consider a shorter holiday?

**Depreciation Policy**

- Uzbek position = as provided under Uzbek legislation
- why should our Directorate set policy?
- our position = not consistent with IAS and therefore doesn't provide a proper matching of revenues and costs.
- IAS appears to be a reasonable basis

**Foreign currency income and surrender**

- confirmed that tax on foreign income is no longer applied but that surrender requirements are applicable
- our position that foreign investors are provided an exemption 1(v) in the Schrodgers letter
- Uzbek parties suggested that such an exemption only applies to foreign income derived from sale of consumer products ie cigarettes but not tobacco leaf. (This needs clarifying) but agreed that this represented a "hidden tax"
- Abdukadirov letter does not make a distinction
- ?'ed 10 year holiday because currency was becoming convertible - we acknowledged that Abdukadirov would only provide a 5 year holiday.

**COT (leaf export) tax**

- we explained that Abdukadirov had told us that this would not be available.

**Excise (Chris Dufty to elaborate)**

- recognized unfair playing field
- informed us that new 90% excise tax had been implemented as of March 1st.
- we discussed need to apply excise at equal levels and why a countervailing excise regime was not practical
- we explained international policies and practice of applying import duties *and export duties*
- Uzbek parties appear confused at the difference between international excise and import tax regimes and CIS

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regimes.

**Matters for follow-up**

- Irina Russakova to meet with working group to agree legislative matters for confirmation (see Schroders letter and McKennas draft for Abdukadirov) with emphasis on recent changes and differences noted at our meeting.
- Chris Dufty to meet with appropriate representatives and hopefully MBP to ensure the concept of a level playing field is fully appreciated.

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