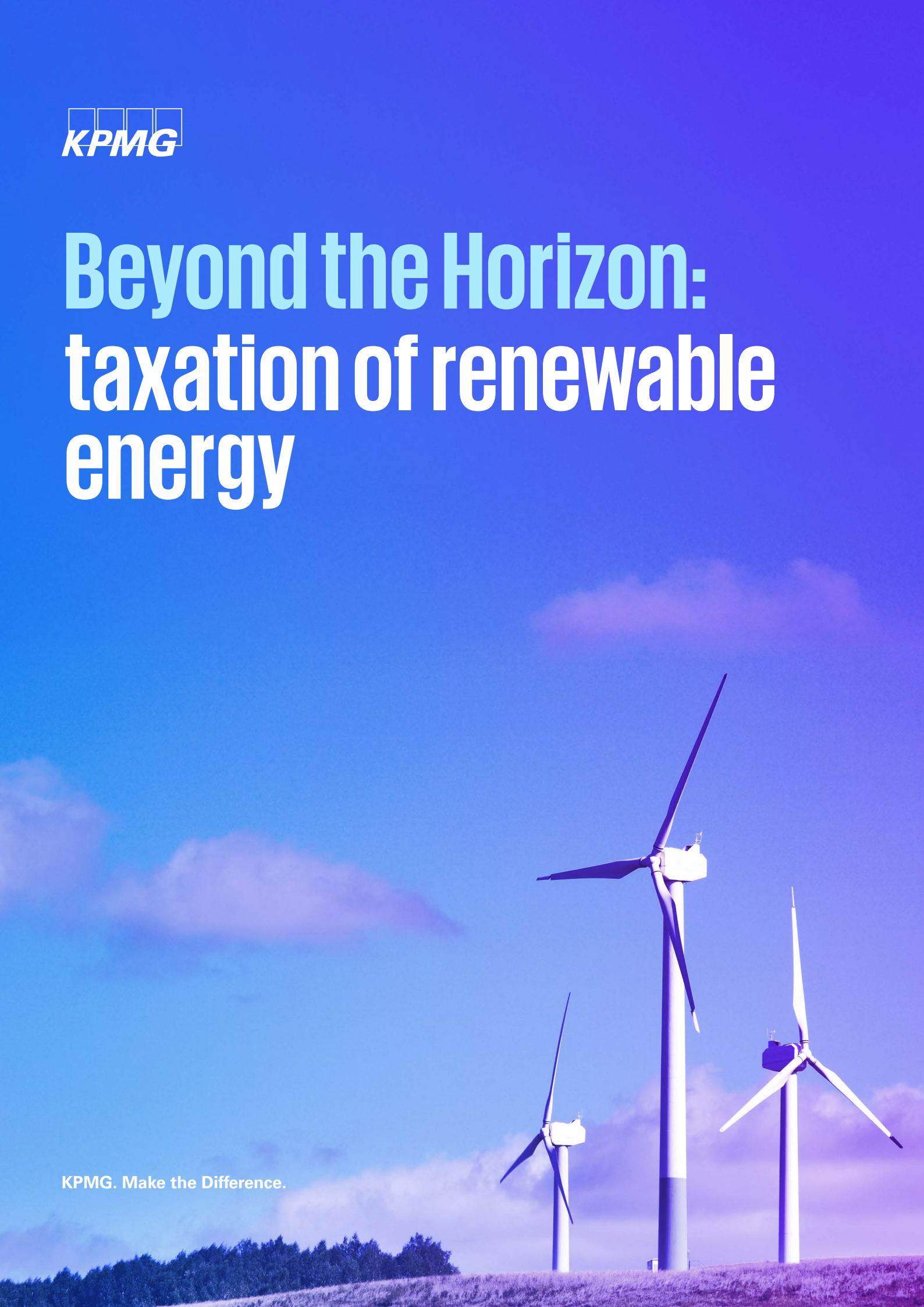




Beyond the Horizon: taxation of renewable energy

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Introduction

We are pleased to present the Uzbekistan chapter of the first edition of the global report “Taxation of Renewable Energy – 2025”, prepared by KPMG. This year, the report has been expanded to cover not only wind energy but also other areas of renewable energy — including solar, geothermal, and hydropower.

Uzbekistan’s green energy sector is developing rapidly, driven by the government’s strategic objective to increase the share of renewable energy to 54% of the national energy mix by 2030, reaching an installed capacity of 27 GW. The country’s focus is primarily on solar and wind

power development, alongside modernization of its hydropower infrastructure. These initiatives are supported by public–private partnerships and aim to meet growing domestic demand while positioning Uzbekistan as a potential exporter of green energy to regional markets.

This report provides a brief overview of the existing tax environment in Uzbekistan as it relates to renewable energy production. We thank all experts and colleagues who contributed to the preparation of this material.

The Uzbekistan team contributed to the preparation of KPMG’s global report on the taxation of wind power.



You can access the full report here:
[Taxation of Renewable Energy – An International Survey.](#)



Uzbekistan

Corporate Income Tax



The corporate income tax rate payable by most legal entities is 15% of taxable income.

In addition to corporate income tax, a permanent establishment of a foreign legal entity is subject to branch profits tax equal to 10% of its net after-tax income. This results in an effective tax rate of 23.5% for permanent establish companies.

The taxable income is determined as the aggregate income reduced by specifically defined tax-deductible expenses as outlined in the Tax Code. These deductions take into account applicable tax reliefs and adjustments, where relevant.

All expenses associated with generating income shall be deducted from the total income, except for those expenses explicitly classified as non-deductible under the Tax Code.

Uzbekistan has no special provisions in the Tax Code that would separately regulate the taxation of wind and solar farms as well as for hydroelectric power, except when they are executing an investment project under an investment agreement signed with the government of Uzbekistan.

Tax Code allows investment deduction is a one-off allowance, tax equivalent of depreciation. Investment deduction is applied in the amount of:

20%

of the cost of new technological equipment, costs of modernization, technical and (or) technological re-equipment of production and (or) the amount of funds allocated for the purchase of domestic software as part of investment projects to create information systems;

15%

of the amount allocated to expand production in the form of new construction, reconstruction of buildings and structures used for production needs.

New technological equipment includes machines, apparatuses, installations and mechanisms used by the taxpayer in the production of goods (services), which are manufactured within last 3 years

Under the Tax Code, tax losses may be carried forward without limitations. However, losses arising from distinct types of activities (e.g., general entrepreneurial activities, investment activities, partnership activities, etc.) are ring-fenced, meaning they can only be offset against profits generated from the respective type of activity.

Depreciation

Depreciation expenses may be deducted for corporate income tax calculation purposes.

Depreciation rates for each category are as follows:

5%

Buildings

10%

Structures

10%

Trains, ships, aero planes

15%

Pipelines, communications equipment, power lines and equipment

20%

Production machinery and equipment

40%

Cars, computers and office equipment

15%

All other assets

For tax purposes in Uzbekistan, wind power turbines or wind power generators should be classified as machinery and equipment, whereas wind turbine towers should be categorized as structures.



Thin capitalization

Under the Tax Code, interest expense is deductible for the purposes of CIT, if the ratio of controlled debt to own capital does not exceed 3 (13 for banks and leasing companies). If the debt amount exceeds this limit, excess interest shall be added back to taxable base for CIT purposes, with no re-classification to dividends.

Value added tax

For tax purposes, VAT payers include:

- 01 Uzbek legal entities operating under the general taxation regime;
- 02 Individual entrepreneurs whose annual revenue exceeds UZS 1 billion (approximately USD 83,267) or who voluntarily register as VAT payers;
- 03 Foreign legal entities and individuals registered as entrepreneurs under foreign law that carry out business activities involving the sale of goods or services in Uzbekistan, where the place of supply is deemed to be Uzbekistan (for example, electronic services provided to individuals via the Internet);
- 04 Foreign legal entities operating in Uzbekistan through a permanent establishment;
- 05 Legal entities and individuals importing goods into Uzbekistan (subject to import VAT).

All VAT payers are assigned a VAT registration number.
The standard VAT rate is

12%

Export sales of goods, international transportation services and utility services provided to individuals are generally taxed at a zero rate.

The following transactions are exempt from VAT under the Tax Code:



Financial services, except for banking transactions subject to fixed service fees



Insurance services;



Goods and services acquired by legal entities using funds from loans provided by international or foreign governmental financial institutions, where such exemption is specifically established by law;



Sale of state property, including vacant non-agricultural land plots transferred under ownership rights;



Leasing of wagons and containers by Uzbek resident operators for railway transportation;



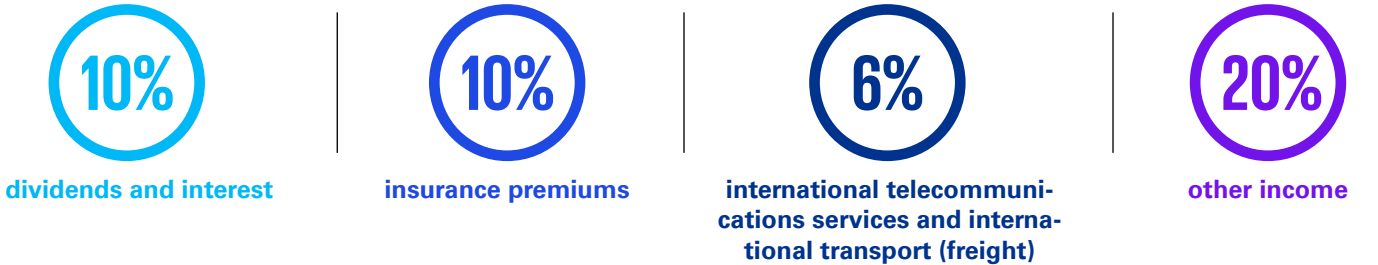
Until January 2028, the sales turnover and import of goods (services) related to infrastructure projects implemented wholly or partially at the expense of external public debt raised by budget organizations, state-owned enterprises, or companies with state participation of 50% or more, provided that financing is obtained directly from international financial institutions or foreign governmental financial organizations (excluding funds borrowed or refinanced through commercial banks of Uzbekistan).

Other taxes

WHT

Uzbekistan-sourced income of a non-resident entity without a PE in Uzbekistan is generally subject to WHT at the source of payment. Uzbek legal entity as the paying entity, would be regarded as a tax agent responsible for withholding and remitting WHT on payments made to non-residents without a PE in Uzbekistan. The tax base is determined as the total revenue generated in Uzbekistan, without deductions for expenses incurred in earning such revenue.

The Tax Code prescribes the following standard WHT rates on Uzbekistan-sourced income earned by foreign companies operating without a registered presence in Uzbekistan:



Land Tax

Entities that own or use a land parcel are required to pay a land tax. The tax rates for non-agricultural land are set in absolute terms for different regions of Uzbekistan. Local government authorities (Councils of People’s Deputies at the regional and district/city levels) then adjust these rates by increasing or decreasing coefficients, depending on the economic development and desirability of the area.

The Tax Code provides land tax incentives for land plots used for free-standing renewable energy installations, subject to the total installed capacity:

- Installations with a capacity of up to 100 kW — a land tax exemption applies for a period of three years from the month the installation is commissioned. For solar installations equipped with an energy storage system of at least 25% of the solar panel capacity, the exemption period is extended to ten years from the commissioning month.
- Installations with a capacity of 100 kW or more — a land tax exemption applies for a period of ten years from the month the installation is commissioned.

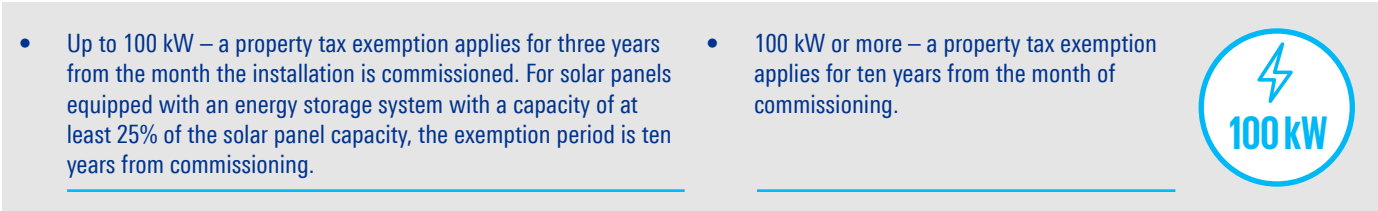
Property Tax

Property tax is levied on immovable property owned by taxpayers. Additionally, if taxpayers receive immovable property under a financial lease, it becomes liable for property tax on such property.

Standard property tax rate is 1.5%. For CIP exceeding the standard period: 3%, unless otherwise specified by law. For tax purposes, the taxable base of a building or structure may not be lower than the minimum value established per square meter, as follows:



The Tax Code provides property tax incentives for renewable energy installations based on their total installation capacity:



Water use tax

If taxpayers use water for commercial activity purposes, it is subject to water use tax based on the volume of water consumed from surface and underground water sources (e.g., rivers, lakes, canals, artesian wells, etc.). The water use tax is imposed at differentiated fixed rates, which depends on the source of water (surface or underground) and the taxpayer’s primary business activity (e.g., general business operations, manufacturing, power generation, etc.).

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