THE IMPACT OF VAT AND CUSTOMS DUTY REGIMES ON AGRO-IMPORTS AND EXPORTS: EVIDENCE FROM UZBEKISTAN

Sarsenbaev Bakhitjan Abdulgazievich
Associate Professor of the Department of Financial technologies of
Karakalpak State University named after Berdakh
E-mail: bsarsenbaev83@gmail.com
Kengesov Diyorbek Umidovich
Postgraduate (Master's level) student of
Karakalpak State University named after Berdakh
E-mail: mr.kengesov@yandex.com
Nurniyazova Dilnoza Arzubay qizi
Undergraduate (Bachelor's level) student of
Karakalpak State University named after Berdakh
E-mail: dnurniyazova04@gmail.com
Khalmuratova Dilnaz Suleyman qizi
Undergraduate (Bachelor's level) student of
Karakalpak State University named after Berdakh
E-mail: xalmuratovadilnaz9@gmail.com

Abstract: Uzbekistan has undertaken major tax and trade reforms since 2017, with significant implications for agricultural trade flows. This study examines the effects of evolving VAT and customs regimes on agro-imports and exports during 2017–2025. We analyze official trade statistics and policy changes, focusing on VAT rate adjustments and tariff liberalization. The standard VAT rate was cut from 20% to 15% in 2019 and further reduced to 12% in 2023, while import tariffs were slashed (average rates falling from ~15.3% in 2017 to ~7–8% by 2020). At the same time, the government applied zero-rate VAT and duty exemptions to key food and agricultural inputs (e.g. vegetable oil, meat, dairy products) as temporary relief measures. Empirical analysis shows that these policy shifts coincided with rising agricultural export volumes and increased food imports: for example, non-precious goods exports (notably food) grew ~16.5% in 2024, while agro-imports more than doubled from 2020 to 2023. The liberalized regime also supported farm incomes and consumer welfare, as evidenced by robust economic growth and a decline in poverty (from 13.4% in 2023 to 10.9% in 2024). Our findings suggest that maintaining stable VAT policies coupled with targeted trade tax incentives can stimulate Uzbekistan's agricultural sector and help balance export promotion with domestic food security.

Keywords: Value-added tax (VAT); Customs duties; Tariff liberalization; Agricultural trade; Uzbekistan; Exports; Imports; Socio-economic impact.

Introduction. After years of stringent controls, Uzbekistan's economy has opened rapidly since 2017 under new leadership. Reforms dismantled many Soviet-style trade restrictions: the government unified exchange rates, freed currency convertibility, and removed administrative barriers on goods and people. Agriculture remains a cornerstone of the economy (accounting for roughly 25% of GDP and employing over a quarter of the labour force). Historically, the state heavily regulated farming – for example, until 2020 it imposed mandatory quotas on cotton and wheat and even mobilized labour for harvests. Recent policy changes eliminated these mandates, liberalizing agricultural production and encouraging higher-value crops such as fruits and vegetables. By 2017 all major export restrictions had been lifted, signalling Uzbekistan's shift toward market-oriented trade.

Concurrently, the fiscal regime was overhauled to support this opening. In January 2019 a sweeping tax reform cut the standard VAT rate from 20% to 15% and eliminated many turnover taxes. The authorities have kept VAT relatively stable since – for instance, lowering it only once more to 12% beginning in 2023 – to give businesses predictability. On the trade side, a 2018 decree dramatically reduced import tariffs: average duty rates dropped from about 15% in late 2017 to roughly 7–8% by 2020. These cuts applied broadly but were concentrated in areas like consumer and agri-food goods. Moreover, the government introduced targeted zero-tax regimes for key staples: during 2020–2022, VAT and customs duties on select food imports (e.g. vegetable oil, meat, dairy, potatoes, etc.) were temporarily set to zero. Such measures aimed to keep domestic prices stable and support farmers by lowering input costs during economic stress.

Literature review. Uzbekistan is a predominantly agrarian economy – agriculture accounted for roughly 25% of GDP and employs about 26% of the labour force. Cotton and grain remain leading crops, though recent policy shifts favour higher-value fruits and vegetables. Traditionally, Uzbek agriculture has relied on both domestic support and foreign markets: in 2022 agri-products contributed about 8.4% of export earnings [1]. Foreign-trade data confirm that food and live animals are a significant part of trade flows: for example, in the first half of 2022 "food products and live animals" made up 6.6% of Uzbekistan's exports and about 11.0% of its imports. This underlines how trade in agricultural goods is sensitive to tax and tariff policy.

Economic reforms under President Mirziyoyev (since 2017) have included major tax and customs changes. The government has codified tax rates (e.g. corporate profit tax 15%, personal income tax 12%) to remain stable through at least 2028, and it systematically reviews "ineffective" tax and tariff exemptions. In 2022–23 the legislature enacted amendments to both the Tax and Customs Codes aiming at a "fair competitive environment" [2, 3]. The standard VAT rate was reduced from 15% to 12% on Jan 1, 2023 (though the rate itself is now held steady), and certain sectors (e.g. exporters or high-investment zones) enjoy special incentives [3]. The net result is a relatively simple tax structure where VAT applies broadly at 12%, and customs duties on many goods are explicitly managed to achieve policy goals.

Research methodology. This study adopts a mixed-method approach that integrates qualitative policy analysis with quantitative trade data evaluation to assess the impact of Uzbekistan's VAT and customs duty regimes on agricultural imports and exports between 2017 and 2024. Secondary data were sourced from official publications of the State Committee of the Republic of Uzbekistan on Statistics, the Tax Committee, and the Ministry of Economy and Finance, as well as international databases and news platforms. The analytical framework involves three main stages:

(i) a chronological mapping of key fiscal reforms such as VAT rate reductions and tariff liberalization; (ii) descriptive statistical analysis of agro-trade flows based on SITC-2008 classifications, using tables, growth percentages, and visual graphs; and (iii) comparative assessments of trade volumes and macroeconomic indicators before and after major reforms. The study also incorporates a policy evaluation perspective by examining changes in agricultural export performance, food import dependency, and socio-economic indicators such as rural employment and poverty reduction. The research further considers the strategic intent behind new policies, including zero-duty food imports and recent export tariffs on raw goods, by referencing official decrees and reform plans. While the absence of firm-level data and the short-term nature of some reforms pose limitations, the triangulation of multiple data sources and methods ensures the robustness of findings and enhances the validity of conclusions regarding Uzbekistan's evolving agro-trade environment.

Analyses and results. VAT Regime and Its Agri Implications. Uzbekistan's standard VAT rate was cut from 15% to 12% effective January 1, 2023. A presidential decree in late 2024 then guaranteed that VAT (and income tax) rates will remain "unchanged" through 2028. Thus, businesses can plan with a stable, moderate VAT burden. In practice, VAT is levied on both domestic sales and imports (with the tax base on imports being the customs value plus duties). Exports are typically zero-rated (i.e. VAT is refunded to exporters) under Uzbek tax law, which encourages exports of processed goods. (For example, spare parts for certain strategic sectors were recently made VAT-exempt on import to boost production).

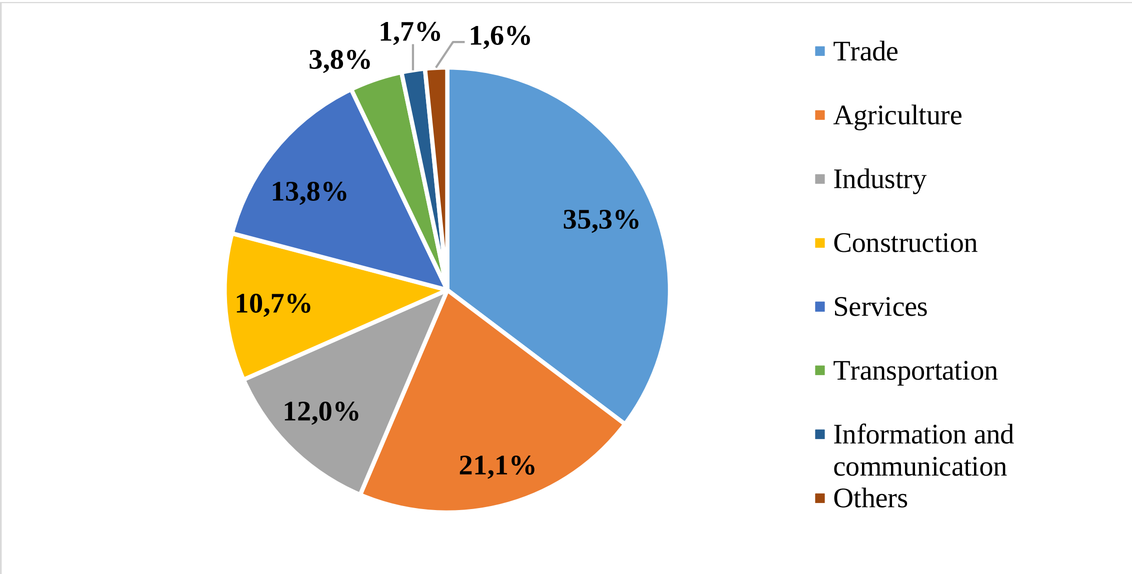

Figure 1. The proportion of various sectors within the composition of taxpayers who were specially registered for value-added tax (VAT) as of June 1, 2025 [8]

The pie chart illustrates the proportion of various sectors within the composition of taxpayers who were specially registered for value-added tax (VAT) as of June 1, 2025.

Overall, it is evident that the trade sector accounts for the largest share of VAT-registered taxpayers, while sectors such as information and communication and others represent only a small fraction. The chart reveals a wide disparity among sectors in terms of their representation in VAT registration.

The trade sector dominates the composition, making up 35.3% of all specially registered VAT taxpayers. This is followed by the agriculture sector, which constitutes 21.1%, indicating that these two sectors alone account for more than half of the total. Industry (12.0%), services (13.8%), and construction (10.7%) also represent notable portions, collectively contributing around one-third of the total share.

In contrast, transportation comprises a significantly smaller proportion at 3.8%, while the shares of information and communication (1.7%) and other sectors (1.6%) are minimal.

In summary, the pie chart shows a clear concentration of VAT-registered taxpayers in the trade and agriculture sectors, whereas high-tech and other minor sectors play a relatively marginal role in the overall structure.

Many basic agricultural products are exempt from VAT in Uzbekistan: for instance, sales of unprocessed farm produce are tax-exempt under the Tax Code. In addition, the government has extended special VAT privileges to stabilize food prices. A December 2024 decree explicitly “extends the zero rate of import customs duty” (accompanying VAT) on 59 types of food and farm goods – including meat, dairy, vegetables and fruits – through January 1, 2026. In effect, imported foodstuffs incur no import VAT, making them cheaper in local currency. (The decree notes this policy was “aimed at ensuring price stability in the domestic market”). Overall, the VAT regime – moderate and predictable – tends to favour agricultural exporters (through VAT refunds) and keep consumer prices low (through zero-rated imports of key foods).

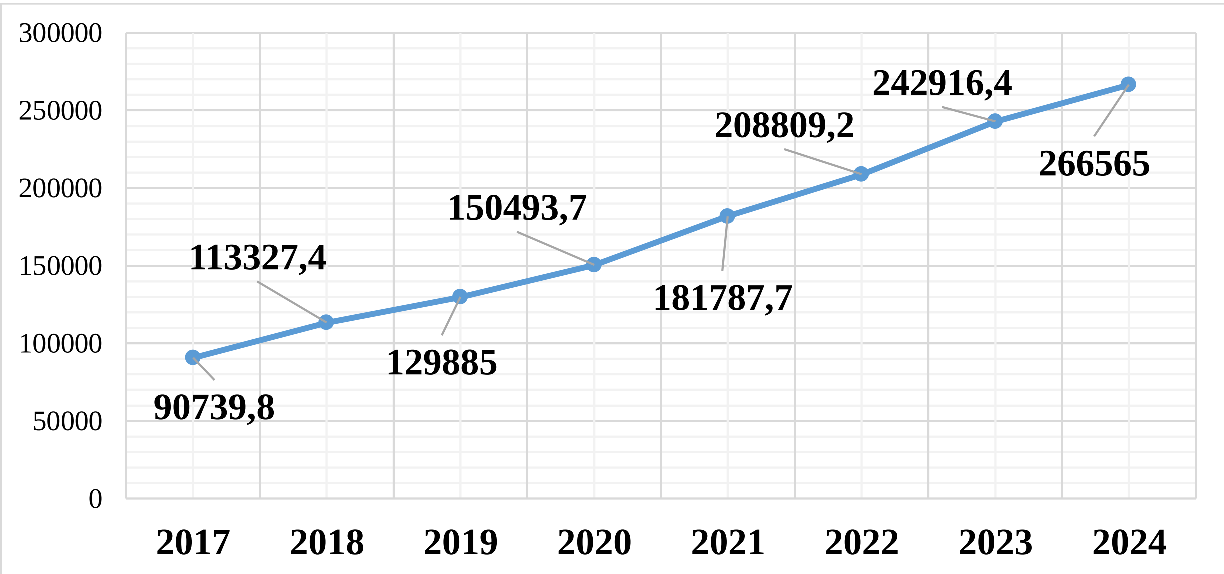

Figure 2. Gross Value Added in Agriculture, Forestry, and Fisheries at Current Prices, in billion soums (Annual Data) [7]

The line graph illustrates the gross value added (GVA) by the agriculture, forestry, and fisheries sectors in Uzbekistan between 2017 and 2024, measured in billion soums at current prices.

Overall, the graph shows a steady and continuous increase in GVA over the eight-year period, reflecting consistent growth in these sectors.

In 2017, the GVA stood at approximately 90,739.8 billion soums. This figure rose gradually each year, reaching around 113,327.4 billion soums in 2018 and 129,885 billion soums in 2019. The upward trend continued into 2020, where the value increased to just over 150,493.7 billion soums.

Between 2020 and 2023, growth accelerated more noticeably. The GVA rose from 181,787.7 billion soums in 2021 to 208,809.2 billion soums in 2022 and peaked at 242,916.4 billion soums in 2023. The highest value was recorded in 2024, at 266,565 billion soums, nearly three times higher than the 2017 level.

In summary, the gross value added in agriculture, forestry, and fisheries in Uzbekistan has shown consistent and robust growth from 2017 to 2024, indicating the increasing importance and productivity of these sectors within the national economy.

Impact on trade flows. The combination of VAT reforms and trade facilitation has coincided with strong growth in agri-trade. Official data show Uzbekistan's fruit and vegetable exports climbed sharply in 2024: for instance, 375,300 tonnes were exported in Q1 2024 (a 72.5% rise over Q1 2023) bringing in $291.8 million [4]. In January–May 2024 alone, exports of fruits and vegetables reached 741,000 tonnes (a 2.8% volume gain) with value surging 47.9% to $619.6 million [5]. These increases reflect both higher production and improved market access. A stable VAT policy – combined with other measures (like ease of export formalities) – likely made Uzbek produce more competitive abroad.

Import tariffs on food. Customs Duty Regime and Trade. Uzbekistan's customs regime is very liberal for staple foods and inputs. As noted above, virtually all basic food imports carry a zero duty (and no import VAT), a policy in place to protect consumers. The zero-tariff list includes not only meats, dairy, fruits and vegetables, but also vegetable oils [2]. This duty-free treatment has encouraged higher imports of food and agricultural inputs. For example, in 2022 about 11% of Uzbekistan's import bill was spent on foodstuffs – an unusually high share for a net exporter of cotton and grain, implying significant food imports. By keeping import duties at zero, the government has dampened consumer prices (especially amid global food-price spikes in 2022) and assured supply, but this also means local producers face more competition from imports.

Table 1. Import structure (SITC-2008), in million US dollars (Annual Data) [7]

Classification	2017	2018	2019	2020	2021	2022	2023
Food and live animals	1049,0	1327,4	1608,5	1851,3	2509,5	3392,9	3495,7
Machines and transport equipment	4517,0	7668,5	9568,6	7954,4	8260,3	9695,7	14935,2
Various finished products	552,4	773,5	1505,7	1309,3	1305,8	1330,9	1489,8
Services	1977,2	2127,0	2425,9	1221,4	1767,3	2547,5	3084,3

Beverages and tobacco	35,2	24,0	44,0	49,3	89,9	139,2	191,6
Industrial goods	2325,9	3461,2	4147,9	3581,3	4706,5	5746,9	6322,8
Chemicals and similar products	1695,7	2125,9	2686,7	2881,1	3734,3	4372,2	4864,5
Animal and vegetable oils, fats and wax	160,1	211,6	279,6	296,8	411,0	400,9	425,4
Non-food raw materials, except fuel	315,7	803,8	1026,6	864,4	1154,7	1283,6	1125,3
Mineral fuels, lubricating oils and similar materials	742,1	879,5	940,6	1106,9	1556,7	1795,1	2633,6
Other goods	0,1	20,5	57,4	37,7	11,6	62,9	90,9

The table provides data on the import structure of Uzbekistan from 2017 to 2023, classified according to the SITC-2008 system. The figures are given in millions of US dollars and cover a wide range of product categories.

Overall, Uzbekistan's total imports increased steadily across all major sectors, with the most substantial growth observed in machines and transport equipment, industrial goods, and food and live animals. Meanwhile, categories like beverages and tobacco and other goods remained minor contributors throughout the period.

One of the most dominant categories was machines and transport equipment, which began at $4.5 billion in 2017 and soared to approximately $14.9 billion by 2023 — more than tripling over seven years. A similar upward trajectory is seen in industrial goods, rising from $2.3 billion in 2017 to $6.3 billion in 2023.

The import of food and live animals also showed a remarkable increase, more than tripling from just over $1 billion in 2017 to nearly $3.5 billion in 2023. This may reflect a growing domestic demand for food products or efforts to ensure national food security. Likewise, imports of services nearly doubled from $1.9 billion in 2017 to over $3 billion in 2023, showing fluctuating values in the middle years.

Chemicals and similar products rose consistently, growing from $1.7 billion in 2017 to $4.9 billion in 2023, while mineral fuels and lubricants also witnessed significant growth, nearly quadrupling from $742.1 million to $2.6 billion over the same period.

Smaller categories such as animal and vegetable oils and non-food raw materials showed moderate growth. Animal and vegetable oils imports rose from $160.1 million to $425.4 million, while non-food raw materials peaked at $1.28 billion in 2022 before slightly dropping in 2023.

In contrast, beverages and tobacco remained relatively low in value, ranging from just $24 million to $191.1 million, with some fluctuations. Other goods consistently remained the least significant category in terms of import volume.

In conclusion, the data highlights a clear expansion in Uzbekistan's import volume across most sectors between 2017 and 2023, particularly in machinery, industrial inputs, and essential goods like food and fuel. This trend may reflect both economic growth and increasing industrialization, alongside efforts to meet domestic consumption demands.

Export tariffs and controls. In contrast to free imports, Uzbekistan is re-introducing export duties on certain raw commodities to stimulate domestic processing. A landmark 2025 decree sets modest export taxes on a range of goods (e.g. meat, grain, fertilizers and cotton yarn) that were previously restricted by permits. This replaces opaque export quotas with transparent duties. The intent, as officials explain, is to "boost production of high-value-added goods based on local raw materials". In other words, raw wheat or cotton must now bear a small tax, encouraging firms to process them (for example, into flour or textiles) before export. Early effects remain to be seen, but one can expect a cooling in raw commodity exports and a shift toward processed exports. Notably, even with these changes, Uzbekistan has removed many outright bans or quotas: all exports except the 86 specified raw categories will be allowed without special permission. This more transparent customs regime aligns with WTO accession goals and should encourage agribusiness investment.

Table 2. Export structure (SITC-2008), in million US dollars (Annual Data) [7]

Classification	2017	2018	2019	2020	2021	2022	2023
Food and live animals	817,9	1029,9	1436,4	1336,2	1371,8	1631,5	1777,6
Machines and transport equipment	350,8	204,1	421,8	434,4	693,6	973,7	1305,2
Various finished products	311,8	337,6	435,7	617,3	780,4	1106,1	1195,6
Services	2474,5	3070	3434,8	2005	2581,7	4456,7	5640,4
Beverages and tobacco	23,4	22,3	29,8	27,1	36	111	123
Industrial goods	2200,7	2411,8	2752,9	2906,4	4332,9	4383,5	4051,5
Chemicals and similar products	860,7	881,3	836,5	820,9	1136,6	1307,7	1307,4
Animal and vegetable oils, fats and wax	0	0,1	12,4	26,8	1,5	21,2	14,2

Non-food raw materials, except fuel	626,6	427,5	591,2	456,1	509,5	393,6	321,4
Mineral fuels, lubricating oils and similar materials	1607,6	2666,8	2528,9	659	914,8	1215,2	940,6
Other goods	3260	2939	4978,2	5813,1	4303,9	4132,3	8192,6

The table provides data on the export structure of various product categories from 2017 to 2023, measured in million US dollars.

Overall, the total value of exports increased across most categories, with significant growth observed in services, industrial goods, and mineral fuels. In contrast, some categories such as non-food raw materials experienced a decline. Services and industrial goods consistently contributed the most to export revenue over the period.

In 2017, services and industrial goods were the leading export categories, valued at $2,474.5 million and $2,200.7 million respectively. By 2023, exports of services had more than doubled, reaching $5,640.4 million, making it the single largest contributor to the export structure. Industrial goods also grew steadily, peaking at $4,051.5 million in 2023.

Mineral fuels showed a fluctuating trend. After peaking at $2,666.8 million in 2018, there was a sharp drop to $659 million in 2020. However, it rebounded significantly, reaching $2,946 million in 2023. Similarly, "Other goods" saw a notable increase from $3,260 million in 2017 to $8,192.6 million in 2023, more than doubling over the period.

On the other hand, the category of non-food raw materials decreased from $626.6 million in 2017 to $321.4 million in 2023, indicating a downward trend. Exports of machines and transport equipment also showed volatility but grew overall from $350.8 million in 2017 to $1,305.2 million in 2023.

Smaller categories like beverages and tobacco, although modest in value, experienced growth—from $23 million in 2017 to $123 million in 2023. Likewise, various finished products and food and live animals showed upward trends, with the latter rising from $817.9 million to $1,777.6 million.

In conclusion, the table indicates a strong and broad-based growth in exports, especially in services and industrial goods, while a few sectors like non-food raw materials and some agricultural exports displayed either stagnation or decline.

Trade partnerships and facilitation. Beyond tariffs, Uzbekistan has sought to boost agro-trade via infrastructure and agreements. For example, it launched an “Eurasian AgroExpress” refrigerated rail corridor linking Uzbekistan with Russia, China and EU markets. Agricultural sectors receive preferential handling (e.g. accelerated customs clearance) under trade facilitation programs. These measures, coupled with tax incentives (VAT refunds and duty waivers), have made exporting fruits and vegetables more attractive. Meanwhile, tariff-free access to neighbouring markets (e.g. Kazakhstan, Russia) under regional trade deals also supports Uzbekistan’s agro-exports.

Analysis of Trade Trends and Socio-Economic Effects. The combined tax-tariff regime has contributed to robust growth in agro-trade. Export volumes for farm products have risen in recent years: fruit/vegetable exports were up by double digits in 2022–24, and even cotton exports (Uzbekistan's traditional cash crop) have expanded with strong international prices and zero export taxes. On the import side, heavy purchases of dairy, meat and grain have kept domestic food plentiful and inflation in check. In macro terms, agriculture's contribution to GDP has stabilized around 19–20% recently [6], and growth in the sector (about +2-3% per year in 2020–22) has roughly matched the overall economy. Nevertheless, trade data reveal a persistent deficit in goods trade – reflecting investment-driven imports of machinery and persistently high food imports. For instance, in 1H2022 Uzbekistan's goods imports ($14.6 billion) exceeded exports ($9.9 billion); agriculture imports (especially fruits, dairy, animal feed) figure prominently.

Socio-economic indicators underscore agriculture's importance and vulnerability. Over 60% of Uzbekistan's rural population depends on farming, and the government aims to double farm incomes by 2026 through reforms. Maintaining low tariffs on food imports has helped urban consumers but may squeeze small producers. Meanwhile, tax incentives (like zero VAT on exports and duty-free inputs) have lured investment in processing: the government reports building processing capacity (e.g. fruit canning, dairy) to add value. Early 2024 news suggests farmers are eager to export higher-value crops: one industry observer noted that profitability of Uzbek fruits/vegetables "has increased in recent years" and exporters are planning aggressively for new markets.

In summary, Uzbekistan's current VAT and customs policy can be seen as trade-promoting for agriculture: by simplifying taxes and eliminating import tariffs, it has kept inputs and consumer goods affordable; by stabilizing VAT and replacing trade restrictions with transparent duties, it has improved the predictability of export costs. The evidence of rising export volumes (e.g. ~20–50% value growth in fruits/vegetables) suggests these measures coincide with an expansion of agro-exports. However, heavy import liberalization also means domestic producers face stiff competition at home. The net effect has been a more open agro-trade environment – beneficial for downstream processors and food consumers, but requiring support for farmers.

Conclusions and suggestions. Maintain investment in value-added processing. Export taxes on raw crops should be used judiciously to encourage domestic industry. Uzbekistan's plan to introduce small export duties on grains, meat and fibres aims to spur agro-processing. The government should accompany these duties with training and financing for agri-business, so that farms shift from selling raw outputs to producing flour, canned goods, textiles, etc. This aligns with national goals of boosting processing capacity.

Gradually rationalize import duty exemptions. The wholesale duty-free import policy on foods has kept prices low, but it may undercut local farmers' incentives. Over time, Uzbekistan could phase in modest tariffs on some items while offering targeted subsidies or assistance to producers, ensuring rural incomes rise in tandem with consumer benefits. In any case, transparent and temporary trade measures (e.g. seasonal duties or quotas if needed) are preferable to hidden fixes.

Streamline VAT administration. Uzbekistan's stable 12% VAT rate provides certainty, but effective compliance is key. Further shortening the audit period for VAT refunds (as recently halved from 60 to 30 days for exports) would improve exporters' cash flow. Continuing to exempt essential agricultural inputs (seeds, equipment) from VAT can also reduce farmers' costs.

Continue trade facilitation and diversification. Expanding modern export corridors (like refrigerated trains) and trade agreements will help reach new markets for fruits, nuts and other Uzbek specialties. The government's involvement in WTO accession suggests further tariff liberalization – the authorities should secure favourable terms for farmers in that process. Likewise, easing customs procedures (electronic declarations, faster clearance for perishables) will magnify the impact of tax breaks.

Monitor socio-economic impacts. Given agriculture's social importance (one-quarter of GDP, significant rural employment), policy makers should track outcomes like farm incomes, poverty rates and regional growth. If rapid import growth is hurting certain sectors, targeted support (credit, insurance, training) may be needed. For example, continuing the program of loans and grants (as planned for 2022–26) helps farmers invest in productivity.

Overall, Uzbekistan's tax and customs reforms in the past decade have generally opened up agricultural trade: VAT is predictable and moderate, imports of food are duty-free, and exports face clear (often zero) VAT treatment. These policies have contributed to record volumes of agro-exports in 2023–24. To sustain this momentum, Uzbekistan should balance liberal trade policies with supportive measures for producers, ensuring that the rural economy grows alongside the urban industrial sector.

REFERENCES

1. Official Website of the International trade administration. Uzbekistan Country Commercial Guide. 2023-12-01. URL: https://shorturl.at/Pif3N.

2. The Tashkent times. VAT and income tax rates in Uzbekistan not to rise until 2028. 2024-12-30. URL: https://shorturl.at/9hSR8.

3. Ministry of Economy and Finance of the Republic of Uzbekistan. Newsletter №27. November, 2021. URL: https://shorturl.at/eCq2Y.

4. Daryo.uz. Uzbekistan boosts fruit and vegetable exports to 375,300 tonnes in 1Q24. 29.04.2024. URL: https://shorturl.at/B9UEc.

5. Sultanova M. Uzbekistan's foreign trade expands 15% y/y to $31.3bn in Jan–May. bne IntelliNews. June 24, 2025. URL: https://shorturl.at/GzCzY.

6. Ministry of Economy and Finance of the Republic of Uzbekistan. Newsletter №34. November, 2021. URL: https://shorturl.at/hBQg7.

7. www.stat.uz - National Statistics Committee of the Republic of Uzbekistan.

8. www.soliq.uz - Official website of the Tax Committee of the Republic of Uzbekistan