

**THE TAX FREE VAT REFUND SYSTEM IN UZBEKISTAN: A
NEW INSTRUMENT FOR TOURISM AND RETAIL DEVELOPMENT**

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Abstract: The Tax Free system in Uzbekistan is a value-added tax refund mechanism designed for foreign citizens who purchase goods in the country and export them when leaving Uzbekistan. Starting from April 1, 2026, Uzbekistan introduced a renewed VAT refund system for foreign citizens at all international airports. This reform is aimed at increasing the attractiveness of Uzbekistan as a tourist destination, stimulating retail trade, supporting local producers, and integrating the national tourism sector into international service standards. The system allows foreign tourists to receive a partial refund of VAT either in cash or by bank card, provided that the purchase meets the established legal requirements. This article analyzes the economic essence, legal basis, operating mechanism, expected benefits, and possible challenges of the Tax Free system in Uzbekistan.

Keywords: Uzbekistan, Tax Free, VAT refund, tourism, retail trade, foreign citizens, tax system, value-added tax.

In recent years, Uzbekistan has been actively modernizing its tax system, tourism infrastructure, and digital public services. One important element of this reform process is the introduction of the Tax Free VAT refund system for foreign citizens. In international practice, Tax Free systems are widely used to encourage tourist spending, increase the competitiveness of retail trade, and make a country more attractive for foreign visitors.

Uzbekistan officially launched the renewed Tax Free VAT refund system from **April 1, 2026**, at all international airports of the republic. According to the Tourism Committee of Uzbekistan, the system allows foreign citizens to receive a VAT refund for goods purchased within the country and exported abroad. Refunds may be issued in cash or transferred to a bank card. For cashless refunds, the money is credited within up to three working days after the goods are exported.

The Tax Free system is based on the principle that goods purchased by foreign tourists and taken out of the country should not be fully burdened by domestic consumption taxes. Value-added tax is normally paid by final consumers within a national economy. However, when goods are purchased by foreign citizens and exported, the economic logic of VAT changes, because the goods are no longer consumed inside the country.

Therefore, the Tax Free system performs several important economic functions. First, it reduces the effective cost of purchases for foreign tourists. Second, it encourages tourists to buy more goods during their stay. Third, it supports retail businesses, shopping centers, producers of souvenirs, textiles, handicrafts, and other local goods. Fourth, it helps increase the competitiveness of Uzbekistan's tourism market compared with other countries where similar VAT refund systems already exist.

In Uzbekistan, the Tax Free system is especially relevant because the country has strong potential in cultural tourism, historical cities, national textiles, handicrafts, jewelry, ceramics, and traditional products. Cities such as Tashkent, Samarkand, Bukhara, Khiva, Fergana, and

Urgench attract many foreign visitors. For these tourists, the possibility of receiving a VAT refund can become an additional motivation to purchase local goods.

The current development of the Tax Free system in Uzbekistan is connected with the Resolution of the President of the Republic of Uzbekistan dated **March 5, 2026, No. RP-78**, titled “On measures to improve the Value-Added Tax refund system for foreign citizens.” This resolution introduced important changes to the VAT refund mechanism and created the legal foundation for expanding the Tax Free system.

According to the official information, from April 1, 2026, the VAT refund system was introduced at all international airports of Uzbekistan. The minimum purchase amount eligible for VAT refund is **300,000 UZS**, including VAT. Foreign citizens receive **85% of the VAT amount**, while the remaining **15%** is allocated to the Tax Free system operator as a service fee.

Another important reform is the abolition of the previously limited list of goods eligible for Tax Free, with the exception of food products. This means that the system now covers a wider range of goods, making it more attractive both for tourists and for retail businesses.

The Tax Free system in Uzbekistan operates through several stages.

First, a foreign citizen purchases goods in Uzbekistan. The total purchase amount must be at least **300,000 UZS**, including VAT. Second, the purchased goods must be exported from Uzbekistan. Third, the tourist applies for the VAT refund at the relevant Tax Free point, currently located at international airports. Fourth, the refund is issued either in cash or transferred to the foreign citizen’s bank card.

The system provides two refund options. A tourist may receive the refund in cash, in which case **85% of the VAT amount** is returned. Alternatively, the refund may be transferred to a bank card. In the case of cashless transfer, the refund is processed within **three working days** after the goods are exported.

This mechanism is important because it combines tax administration with tourism services. It requires coordination between retailers, airport services, customs authorities, tax authorities, and the Tax Free operator. The more digital and transparent this process becomes, the more convenient it will be for tourists.

Digitalization is one of the key directions in improving Uzbekistan’s Tax Free system. The official government information emphasizes that modern information technologies and mobile solutions will be used to simplify refund procedures for foreign citizens.

The digitalization of Tax Free services can provide several advantages. It can reduce paperwork, accelerate verification, improve transparency, and minimize corruption risks. It can also help tourists track their refund status and make the process more user-friendly. For the state, digitalization allows better monitoring of VAT refund claims, prevention of fraud, and collection of analytical data on tourist spending.

In the future, integration with mobile applications, electronic receipts, QR codes, and customs databases may further improve the efficiency of the system. A well-functioning digital Tax Free platform can become part of Uzbekistan’s broader strategy of building a modern digital economy.

The introduction of the Tax Free system can bring several positive effects for Uzbekistan’s economy.

First, it can increase tourist spending. When foreign visitors know that part of the VAT will be refunded, they may be more willing to buy local goods. This is especially important for sectors such as textiles, handicrafts, souvenirs, ceramics, jewelry, leather products, and national clothing.

Second, the system can support retail trade. Shopping centers, stores, and local producers may benefit from higher demand from tourists. This can lead to increased sales, higher turnover, and greater business activity.

Third, Tax Free can strengthen the link between tourism and production. Tourists often buy products that reflect national culture and local craftsmanship. Therefore, the system can indirectly support small businesses, artisans, family enterprises, and regional producers.

Fourth, the Tax Free system can improve Uzbekistan's international tourism image. Many developed tourism destinations use VAT refund systems as part of their visitor services. By introducing such a system, Uzbekistan demonstrates its intention to meet international standards in tourism and trade.

Fifth, the system may contribute to formalization of retail transactions. Since VAT refunds require official purchase documentation, retailers are encouraged to use legal and transparent sales channels. This can improve tax discipline and reduce the shadow economy.

According to official sources, Uzbekistan plans to expand the Tax Free system in stages. In the future, the system is expected to be introduced not only at airports but also at railway stations and border customs checkpoints. It is also planned to expand participation beyond large shopping centers to a wider range of retail outlets.

This future expansion is important because many foreign tourists enter and leave Uzbekistan not only by air but also by railway and road transport. For example, tourists traveling through Central Asia may cross land borders. Therefore, expanding Tax Free services to border checkpoints can make the system more inclusive and effective.

The participation of smaller retail outlets is also significant. If only large shopping centers are included, the benefits may be concentrated in big cities. However, if smaller shops and regional businesses can participate, the Tax Free system may support broader regional development.

Despite its advantages, the Tax Free system may face several challenges.

The first challenge is awareness. Foreign tourists must clearly understand how to use the system, what documents are required, which goods are eligible, and where they can receive refunds. Information should be available in English, Russian, Chinese, Turkish, Arabic, and other languages relevant to Uzbekistan's tourism market.

The second challenge is retailer participation. For the system to be effective, many stores need to join it. If participation is limited, tourists may find it difficult to benefit from the refund mechanism.

The third challenge is administrative efficiency. Long queues, complicated procedures, or unclear rules at airports may reduce tourist satisfaction. Therefore, refund points should be well-organized, fast, and supported by digital technologies.

The fourth challenge is fraud prevention. VAT refund systems can be misused if verification procedures are weak. Uzbekistan needs a strong control mechanism to ensure that refunds are issued only for real purchases exported by eligible foreign citizens.

The fifth challenge is regional inclusion. The system should not benefit only large retailers in Tashkent or major cities. It should also support tourism-related retail activity in regions such as Bukhara, Samarkand, Khiva, Fergana, and other tourist destinations.

The Tax Free VAT refund system in Uzbekistan is an important reform that connects tax policy, tourism development, retail trade, and digital transformation. Starting from April 1, 2026, foreign citizens can receive VAT refunds for eligible goods purchased in Uzbekistan and exported abroad. The minimum purchase amount is 300,000 UZS, and 85% of the VAT amount is refunded to the foreign citizen, while 15% is retained as the operator's service fee.

The system is expected to increase Uzbekistan's attractiveness for foreign tourists, stimulate retail sales, support local producers, and strengthen the country's position in the international tourism market. At the same time, the effectiveness of the system will depend on digitalization, transparency, retailer participation, tourist awareness, and administrative simplicity.

Overall, Uzbekistan's Tax Free system can become an effective instrument for economic development if it is implemented in a convenient, transparent, and business-friendly manner. It has the potential not only to support tourism but also to encourage the growth of local production, regional trade, and the formal economy.

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