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Article

Challenges of International Taxation and Transfer Pricing Regulation in Uzbekistan: Current Status and Directions for Improvement

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Abstract: *This article analyses challenges associated with international taxation and transfer pricing regulation in Uzbekistan, including the risk of base erosion, the institutional capacity of tax administration, cross-border financing, share transactions involving non-residents, and the taxation of income derived from subsoil use. Particular attention is paid to potential tax risks arising in the extraction and export of critical raw materials. The article assesses the consistency of existing transfer pricing rules with international standards, taxpayers' documentation obligations, and the capacity of tax authorities to conduct oversight. It also develops proposals concerning limitations on the deduction of interest expenses, taxation of income from indirect share transfers, and the assessment of the effectiveness of tax incentives.*

Keywords: *international taxation; transfer pricing; base erosion; profit shifting; BEPS; tax administration; non-resident; tax incentives; critical raw materials.*

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1. Introduction

Expanding international economic relations, increasing foreign investment flows, and the development of multinational enterprises are creating new challenges for national tax systems [1]. The movement of goods, services, financial resources, and intangible assets between entities belonging to the same multinational group directly affects the amount of profit taxable in different jurisdictions. In these circumstances, verifying the economic justification of transfer prices, protecting the tax base, and ensuring the fair allocation of tax liabilities are of particular importance.

For Uzbekistan, these issues are especially relevant to activities involving the extraction and export of natural resources. Prices for raw materials depend on fluctuations in international markets, product quality, delivery terms, logistics costs, and long-term contracts [2]. If transactions between associated enterprises do not reflect market conditions or their economic substance is not sufficiently documented, taxable profits that should arise in the country may be shifted to other jurisdictions.

Another aspect of the problem is that oversight of transfer pricing is not limited to the existence of relevant provisions in legislation. The effectiveness of oversight also depends on the availability of qualified tax officials, access to reliable information, the quality of taxpayers' documentation, and tools for analysing complex international transactions.

At the same time, international tax risks are not limited to transfer pricing. The deduction of interest expenses on loans obtained from related parties and third parties, the indirect sale of domestic assets through foreign companies, the calculation of resource-rent income from subsoil use, and the design of tax incentives may also affect state budget revenues [3].

The purpose of this article is to identify key challenges in international taxation and transfer pricing regulation in Uzbekistan, analyse their impact on the tax base and the effectiveness of tax control, and develop practical proposals for improving legislation and tax administration.

Taxation of natural resources and the control of transfer prices in mineral exports have been widely studied in international economic literature. Research in this area mainly examines price-setting in transactions between multinational enterprises, the taxation of income from extraction, and factors that contribute to the erosion of the tax base.

The OECD's transfer pricing guidelines emphasise that transactions between associated enterprises should be consistent with the conditions that would have been agreed between independent parties. This principle is important in mineral commodity trading because prices depend on product quality, composition, international market quotations, and delivery terms. Tax authorities therefore need to take comparable market prices and other economic factors into account when assessing transaction prices.

The 2023 guide, Determining the Price of Minerals: A Transfer Pricing Framework, prepared by the OECD and the Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development (IGF), presents practical approaches to determining mineral prices. It focuses on assessing whether prices are justified by taking account of mineral characteristics, market quotations, and transaction terms. This approach is particularly relevant to valuing gold and other mineral resources traded on international markets.

The OECD's 2015 final report on Action 13 of the BEPS Project addresses improvements to transfer pricing documentation and greater information transparency for tax authorities. It explains how the Master File, Local File, and Country-by-Country Report can support a more comprehensive analysis of multinational enterprises. These recommendations are also important for overseeing transactions conducted by large companies engaged in mineral commodity trading [4].

The recommendations under Action 4 of the OECD BEPS Project examine the risk that taxable profits may be reduced through debt financing. This approach aims to improve controls over corporate interest expenses and mechanisms for protecting the tax base. Because the extractive industry is highly capital-intensive, this issue is particularly important for taxing income derived from natural resources.

Another important source on tax risks in natural-resource transactions is "The Taxation of Offshore Indirect Transfers—A Toolkit" [5]. This toolkit examines potential tax issues arising when companies owning domestic natural resources are sold through foreign holding structures. Regulation of such transactions is particularly important where assets and company interests are located in different jurisdictions.

The OECD's 2026 report, "Advancing Security and Transparency for the Governance of Critical Raw Materials in Central Asia", analyses governance systems, tax policies, and transparency issues relating to critical mineral resources in Central Asian countries [6]. Its analysis of Uzbekistan addresses transfer pricing rules, limitations on interest deductions, the special resource-rent tax, and improvements in tax administration. The report's illustrative calculations show how understated mineral prices or the incomplete recognition of valuable components in a product may affect tax revenues. These results, however, should be interpreted as scenarios illustrating potential tax risks rather than as evidence of actual losses to Uzbekistan's budget.

The literature reviewed above shows that international research has extensively addressed the control of mineral prices, transparency in cross-border transactions, and protection of the tax base. Nevertheless, linking international recommendations to Uzbekistan's current tax legislation and assessing their potential fiscal implications for mineral exports remains an important research and practical task. This article examines these issues in the context of Uzbekistan [7].

2. Materials And Methods

The study employs systematic analysis, comparative legal analysis, problem-oriented analysis, and generalisation. Uzbekistan's regulatory mechanisms concerning transfer pricing, interest expenses on borrowed funds, non-residents' income, resource-rent income from subsoil use, and tax incentives are examined in comparison with international tax standards.

The principal empirical and legal basis of the study is the Uzbekistan-related section of the OECD's 2026 study on the governance and transparency of critical raw materials in Central Asia. Accordingly, the analysis does not seek to provide a comprehensive assessment of international taxation across all economic sectors; rather, it focuses on potential tax risks associated with critical raw materials and extractive activities.

3. Results and Discussion

Rules governing transfer pricing in Uzbekistan entered into force in 2022. Their introduction established an important legal basis for monitoring transactions between related parties; however, the need to align the rules fully with international standards remains.

The central requirement of transfer pricing regulation is to compare the conditions of transactions between related parties with those between independent parties. In practice, however, examining the transaction price alone is insufficient [8]. Product quality and volume, delivery time, transport and insurance costs, market conditions, contract duration, and the functions performed by the parties must also be taken into account.

In exports of mineral raw materials, the comparable uncontrolled price (CUP) method is particularly important. Under this method, the price in a controlled transaction is compared with the price in a transaction between independent parties under similar conditions. Nevertheless, prices for the same type of raw material on international markets may vary according to product quality, processing level, delivery terms, and other factors. Detailed practical guidance on applying the CUP method is therefore necessary [9].

The lack of sufficiently detailed methodological guidance may create two types of risk. First, a tax authority may unjustifiably adjust a price that is consistent with market conditions. Second, a taxpayer may be unable to demonstrate adequately that the transaction price complies with the arm's-length principle [10], [11]. Both situations may increase tax disputes and reduce the effectiveness of oversight.

Accordingly, improving transfer pricing rules requires not only general legal provisions but also practical comparability criteria. Methodological guidance should be developed for critical raw materials on price sources, adjustments for quality differences, transport-cost adjustments, and the assessment of long-term contracts.

The effectiveness of transfer pricing rules depends on the completeness of the information obtained from taxpayers. Although the current framework includes certain documentation and notification requirements, it does not cover all forms of information needed to assess the activities of a multinational group comprehensively [12].

In particular, the absence of requirements for a Master File and a Country-by-Country Report, which provide systematic information on a multinational group's overall activities, its entities in different countries, and the allocation of profits, limits tax authorities' ability to assess risks. Insufficiently comprehensive elements of the Local File,

which describes local transactions in detail, can also make it difficult to examine the economic substance of particular transactions.

In transfer pricing oversight, documentation is not merely a means of satisfying a formal requirement. It enables the identification of an enterprise's functions, assets used, risks assumed, transactions with related parties, and pricing mechanisms. Without this information, tax authorities may find it difficult to assess fully whether a transaction complies with the arm's-length principle [13].

Furthermore, a limited number of transfer pricing specialists and constrained technical capabilities may affect the examination of complex transactions. Analysing transactions involving multinational groups requires economic, financial, and legal expertise in combination. It is therefore important to train qualified tax officials, develop data-analysis tools, and improve systems for identifying taxpayers with high risk profiles.

Where oversight resources are limited, examining all enterprises to the same extent is not an efficient approach. Risk levels should be assessed using indicators such as export volume, the share of transactions with related parties, persistent losses, interest expenses, and the enterprise's position within the multinational group.

One important international taxation issue is the possibility that enterprises may reduce taxable profits by deducting interest expenses on borrowed funds. If an enterprise obtains substantial debt and deducts the related interest expenses for tax purposes, its taxable profit may decrease. This can become a means of shifting profits to other jurisdictions within a group, particularly when the debt is obtained from related parties.

Article 310 of Uzbekistan's Tax Code provides for a 3:1 debt-to-equity limitation for non-financial organisations. However, this approach may primarily take into account debt obtained from related parties, while debt obtained from third parties may not be fully considered.

The limitation of this approach is that an enterprise's overall debt burden is not generated solely by borrowing from related parties. If third-party borrowing is also substantial, a criterion based only on related-party debt may not fully reflect the enterprise's actual financial position. As a result, the mechanism intended to limit tax base erosion through interest expenses may not achieve its expected outcome.

International practice includes approaches that link deductible interest expenses to an enterprise's EBITDA. Under such an approach, net interest expenses are deductible only up to a specified proportion. International recommendations commonly consider a limit in the range of 10–30% of EBITDA. The appropriate threshold should be selected in light of the country's economic conditions, enterprise structure, investment needs, and fiscal interests.

Example. The EBITDA of LLC "A", operating in Uzbekistan, amounted to UZS 10 billion during one year. The enterprise borrowed UZS 60 billion to finance its activities and incurred UZS 4 billion in interest expenses during the year. Assume that part of the borrowing was obtained from a related enterprise and the remainder from banks.

If the current rules limit interest deductions by reference to the debt-to-equity ratio, taking into account only loans from related parties may not fully reflect the enterprise's overall level of indebtedness. For example, where bank loans are also substantial, a criterion based on related-party debt may fail to capture the enterprise's high total interest expenses fully [14].

As an alternative, a mechanism limiting net interest deductions to 30% of EBITDA could be considered. Since the enterprise's EBITDA is UZS 10 billion, deductible interest expenses would be calculated as follows:

UZS 10 billion × 30% = UZS 3 billion.

If the enterprise's actual net interest expenses amount to UZS 4 billion, UZS 3 billion would be deductible under this illustrative calculation, while the remaining UZS 1 billion would not be deductible in the current period. If no other tax adjustments apply, this

limitation would increase taxable profit by UZS 1 billion. At an illustrative corporate income tax rate of 15%, the tax payable to the budget would increase by UZS 150 million.

At the same time, an EBITDA-based limitation may not produce the same economic outcome for all enterprises. For example, an extractive enterprise that has borrowed heavily to finance large investments may temporarily incur interest expenses exceeding its EBITDA. In such circumstances, excessively restrictive interest limitations could adversely affect new investment.

Therefore, when introducing an EBITDA-based mechanism in Uzbekistan, it would be appropriate to determine an optimal limitation, consider special rules for certain capital-intensive sectors, and assess whether disallowed interest expenses may be carried forward to subsequent tax periods. The 30% threshold cited above is illustrative; its practical introduction should be preceded by a separate assessment of its impact on enterprises and budget revenues.

Note: The financial figures and 15% tax rate in this example are hypothetical. This calculation is not an official tax calculation under current Uzbek tax legislation; it is provided solely to explain an EBITDA-based limitation mechanism.

When assessing this approach for Uzbekistan, two aspects should be considered. The first is limiting excessive indebtedness and tax base erosion through interest expenses. The second is avoiding unjustified restrictions on projects requiring substantial initial investment, such as natural-resource extraction. The impact of a new mechanism on enterprises and budget revenues should therefore be modelled before implementation.

Another important issue in international taxation is a change in control over companies owning assets in Uzbekistan through the sale of shares in foreign holding companies.

Article 356 of Uzbekistan's Tax Code provides for the taxation of certain income earned by non-residents from the direct sale of shares in entities resident in Uzbekistan. However, when shares in a foreign holding company that owns a local company are sold in another country, the transaction may not take the form of a direct sale of shares in an Uzbek-resident entity.

If the principal value of a local enterprise is associated with a mine, licence, or other right to use natural resources in Uzbekistan, the question arises whether the relevant income should be taxed in Uzbekistan even when economic ownership of those assets changes indirectly. Different tax treatment of direct and indirect sales may create a gap in the tax base when the value of local assets is realised through a foreign holding company.

To address this issue, legal rules should be developed to identify indirect transfers and establish criteria for taxation. These should take into account the proportion of the foreign company's value attributable to assets in Uzbekistan, the type of assets, the ownership chain, and the economic substance of the transaction.

Example. LLC "A", located in Uzbekistan, is engaged in natural-resource extraction. Its principal assets comprise a mine in Uzbekistan, an extraction licence, and related infrastructure, with a market value of USD 100 million. One hundred per cent of LLC "A" is owned by holding company "B", registered in a foreign country.

Subsequently, the shares in holding company "B" are sold to another foreign investor, company "C", for USD 120 million. Although the shares or ownership interests in LLC "A" have not been sold directly, ultimate control over the mine and other assets in Uzbekistan changes.

If tax rules cover only direct sales of shares in Uzbek-resident entities, taxing in Uzbekistan the gain arising from the foreign sale of shares in holding company "B" may become complicated. In such a situation, the realisation of the value of local assets through shares in a foreign holding company may create difficulties in determining the tax base [15].

To address this issue, rules governing changes in indirect ownership could be introduced. For example, where real estate located in Uzbekistan or rights to use natural

resources account for more than a specified proportion of the value of a foreign company's shares, a mechanism could be developed to determine the part of the income from the share sale attributable to Uzbek assets.

Assume that 90% of the USD 120 million sale value of holding company "B" is attributable to assets in Uzbekistan. In that case, USD 108 million of the transaction value could be regarded as attributable to Uzbek assets. However, USD 108 million is not taxable income; it is the transaction value considered attributable to those assets. To determine taxable income, the sale price, acquisition cost of the relevant assets, expenses, and applicable tax rules must be taken into account.

Thus, establishing clear criteria for indirect transfers would help determine tax liabilities when the value of assets in Uzbekistan is realised through foreign holding companies. International double taxation agreements, the actual composition of the assets, and the economic substance of the transaction should also be considered.

Note: The companies, amounts, and asset values in this example are hypothetical. The example illustrates the tax implications of a change in indirect ownership; whether a particular transaction is taxable in Uzbekistan must be determined separately under applicable legislation and relevant international agreements.

New provisions should also be coordinated with double taxation agreements and based on criteria that are clear to taxpayers in advance. This would protect the state's taxing rights while ensuring legal certainty for legitimate investment transactions.

In natural-resource extraction, economic rent may arise in addition to ordinary business profits because of the scarcity of the resource and the rights required to exploit it. Taxing this rent is an important instrument for ensuring that the state receives a share of the economic value generated by natural resources.

Chapter 64 of Uzbekistan's Tax Code provides for a resource-rent tax mechanism. The tax base is linked to the difference between rent income and certain deductions, and the specified rate is 25%. The effectiveness of this mechanism depends directly on the rules for determining income, recognising costs, and applying deductions.

Exemptions applicable to certain projects may create unequal tax conditions among projects. If projects with similar economic outcomes face different tax burdens, this may affect investment decisions and the distribution of tax revenues.

Furthermore, the deduction of historical costs and the application of an additional coefficient or uplift to those costs may substantially reduce the tax base. Deductions should be economically justified; however, if they are defined too broadly, a large share of resource-rent income may be excluded from the tax base.

Example. Company "A", engaged in natural-resource extraction in Uzbekistan, earned UZS 500 billion in revenue during the reporting year. Assume that recognised current costs associated with extraction and processing amounted to UZS 250 billion, while other costs deductible for resource-rent tax purposes amounted to UZS 50 billion.

If the resource-rent tax base is determined as the difference between revenue and deductions in this example, the calculation is as follows: total revenue: UZS 500 billion; deductible costs: UZS 250 billion + UZS 50 billion = UZS 300 billion; resource-rent tax base: UZS 500 billion − UZS 300 billion = UZS 200 billion; resource-rent tax at 25%: UZS 200 billion × 25% = UZS 50 billion.

Now assume that the company is entitled to an additional deduction of UZS 80 billion for historical costs associated with investments made in previous periods. If this deduction is fully recognised under the relevant rules, the resource-rent tax base would fall to UZS 120 billion and the tax amount to UZS 30 billion.

As a result, the additional deduction for historical costs would reduce resource-rent tax revenue by UZS 20 billion. This demonstrates that the treatment of historical costs and the additional coefficients applied to them may have a significant effect on budget revenues.

Accordingly, improving Uzbekistan's resource-rent tax mechanism should include verifying the justification for deductions of historical costs, setting appropriate limits on deductions, and comparing the tax burdens of projects with similar economic indicators. This approach would help preserve the state's share of economic rent from natural resources while creating predictable tax conditions for investors.

The amounts presented are hypothetical and are used to explain the method of calculating resource-rent tax. The deductibility of historical costs, additional coefficients, and the precise procedure for determining the tax base must be verified against the provisions of the Tax Code in force.

Therefore, rather than abolishing the resource-rent tax, it would be appropriate to assess its calculation rules and deductions in detail. Possible measures include introducing an upper limit for historical-cost deductions, reviewing exemptions, and analysing the extent to which tax burdens differ across projects.

Tax incentives are used to encourage investment, introduce new technologies, and expand economic activity. However, where incentives are not linked to economic outcomes or are not adequately monitored, they may reduce state budget revenues and undermine equity in taxation.

Income-based incentives—for example, exemptions from tax on certain types of income for an extended period—may also benefit taxpayers by transferring existing activities into a preferential regime. In such cases, tax liabilities may be reduced without generating new investment.

Expenditure-based incentive mechanisms, by contrast, are often directly linked to amounts spent on new investment or production capacity. Accelerated depreciation and investment tax credits are examples. Their advantage is that tax relief is linked to specific investment expenditure, making its impact on economic activity relatively easier to assess.

Nevertheless, expenditure-based incentives are not automatically effective. Their outcomes should be assessed using criteria such as investment additionality, jobs created, production volumes, technological development, and long-term effects on the budget.

In the natural-resources sector, certain incentives may apply only to a particular project or type of activity, while other activities remain subject to the general tax regime. If such differences are not economically justified, they may undermine a level playing field. Incentives should therefore be reviewed regularly, their fiscal cost should be calculated, and the extent to which they achieve their objectives should be assessed.

The following table summarises the main challenges associated with international taxation and transfer pricing in Uzbekistan, their potential consequences, and possible directions for improvement.

Table 1. Key Challenges in International Taxation and Transfer Pricing Regulation in Uzbekistan

Challenge	Potential consequence	Direction for improvement
Transfer pricing rules are not fully aligned with international standards	Increased risk of profit shifting through transactions between related parties	Align legislation and practical guidance with international standards
Insufficient transfer pricing documentation	Limited ability to identify tax risks and conduct audits	Gradually develop Master File, Local File, and Country-by-Country Report requirements
Limited specialised capacity of tax authorities	Reduced effectiveness in examining complex international transactions	Train specialists and strengthen risk-based oversight
Limited scope of interest-deduction restrictions	Tax base erosion through excessive indebtedness	Assess EBITDA-based interest limitations or improve the existing debt-to-equity criterion
Gap in taxation of income from indirect share transfers	Loss of tax base when the value of local assets is realised through foreign holding companies	Introduce clear tax rules for indirect transfers

Exemptions and historical-cost deductions under the resource-rent tax	Reduction of resource-rent income included in the tax base	Review exemptions and assess limits on deductions for historical costs
Insufficient evaluation of tax-incentive effectiveness	Lower budget revenues and distortion of competitive conditions	Evaluate incentives regularly and introduce an outcomes-based approach

The analysis indicates that these challenges are interrelated rather than independent. For example, inadequate transfer pricing documentation may also make it difficult for tax authorities to assess the economic substance of borrowing transactions between related parties. Similarly, the consistency of rules on indirect share transfers with the resource-rent tax mechanism affects the effectiveness of taxing income derived from natural resources.

Accordingly, reform should not be limited to amending individual provisions. It should aim to develop legal regulation, information exchange, risk assessment, and tax audits as an integrated system.

First, transfer pricing rules should be aligned progressively with the BEPS Project and the OECD Transfer Pricing Guidelines. This requires not only revising general provisions but also clarifying practical implementation mechanisms.

Second, detailed methodological guidance should be developed on applying the CUP method to critical raw materials. Such guidance should take account of product quality, delivery terms, transport costs, market factors affecting price formation, and long-term contracts.

Third, transfer pricing documentation should be expanded gradually. Alongside strengthening Local File requirements describing local transactions, the legal, technical, and administrative feasibility of introducing Master File and Country-by-Country Report requirements summarising multinational group activities should be assessed. Requirements should be proportionate to the size and risk profile of the enterprise.

Improving the expertise of tax officials specialising in transfer pricing should be a priority. Training programmes should cover the analysis of international transactions, identification of comparable prices, assessment of financial transactions, economic analysis, and resolution of tax disputes.

To develop risk-based analytical systems in tax authorities, information such as export volumes, transactions with related parties, debt levels, interest expenses, profitability indicators, and the enterprise's position within a multinational group may be used. This approach would help direct audit resources towards transactions presenting the greatest tax risks.

Methodological guidelines and explanatory materials on transfer pricing should also be developed for taxpayers. These would promote consistent interpretation of requirements, improve the quality of documentation, and reduce the likelihood of disputes.

Uzbekistan should assess the effectiveness of the existing debt-to-equity limitation and compare it with the EBITDA-based approach used in international practice. The assessment should take into account not only borrowing from related parties but also the enterprise's overall debt burden.

If the current 3:1 ratio is retained, the impact of borrowing from third parties should be considered, and the possibility of revising the ratio in line with economic conditions should be analysed. If an EBITDA-based mechanism is selected, the deductible proportion of net interest expenses should be determined with due regard to investment needs, fiscal interests, and enterprises' financial stability.

Financial modelling for extractive projects is important before introducing the rules. Projects involving large capital expenditures and long payback periods may be affected

unexpectedly by strict interest limitations, with potential consequences for investment incentives.

The provisions of the Tax Code governing non-residents' income should be reviewed to determine how they could cover indirect share transfers. Specific criteria could be established for cases in which the value of local natural resources, licences, or other assets represents a significant proportion of the value of shares in a foreign company.

Such rules should take account of the proportion of value attributable to local assets, the ownership chain, the economic substance of the transaction, and relevant international agreements. To provide legal certainty for taxpayers, taxable events, exemptions, and reporting obligations should be clearly defined.

Improvement of the resource-rent tax mechanism should focus not on the existence of the tax itself, but on the calculation of its tax base, cost-deduction rules, and its ability to ensure equal treatment across projects.

A fiscal-impact analysis should be conducted of the treatment of historical costs and additional uplifts, and an upper limit on deductions should be considered where necessary. Differences between projects exempt from the tax and projects taxed under the general rules should also be examined to determine whether they are economically justified.

Clear objectives and measurable performance indicators should be established for tax incentives. Their effectiveness may be assessed by reference to investment attracted, jobs created, production volumes, technological upgrading, and long-term effects on state budget revenues.

When introducing new incentives, expenditure-based instruments, including accelerated depreciation and investment tax credits, should be compared with broad income-based exemptions. The assessment should also consider the risk that incentives may extend beyond the activities they were intended to support and unjustifiably reduce the tax base.

For each incentive, it is recommended that a review date, performance criteria, and, where appropriate, termination conditions be established. This would help control fiscal costs and prevent economically ineffective incentives from continuing.

The following sequence is recommended for implementing the proposals:

1. Stage One — Legal and Fiscal Analysis. Gaps in the rules on transfer pricing, interest expenses, indirect share transfers, resource-rent tax, and tax incentives are identified. The effects of new rules on the budget and investment are assessed.

2. Stage Two — Methodological and Institutional Preparation. Guidance is developed for tax authorities, specialists receive further training, and risk-based analytical tools are improved.

3. Stage Three — Legislative Amendments. Rules on transfer pricing documentation, interest deductibility, and indirect share transfers are improved on the basis of the necessary analyses.

4. Stage Four — Monitoring and Evaluation. The effects of the new mechanisms on tax revenues, tax disputes, audit effectiveness, and investment activity are examined regularly.

This sequence would ensure that reforms are not limited to legislative amendments but also support the effective operation of the new rules in practice [16].

4. Conclusion

Uzbekistan has established important legal foundations for international taxation and transfer pricing regulation, further improvements are needed in alignment with international standards, taxpayer documentation, the capacity of tax administration, and the taxation of certain cross-border transactions. The effectiveness of transfer pricing oversight depends on the ability to assess transactions between related parties in accordance with the arm's-length principle. This requires broader information on

multinational groups, complete documentation of local transactions, methodologies for comparing prices of critical raw materials, and enhanced expertise within tax authorities. Under the rules on interest deductibility, an approach based solely on debt from related parties may not fully reflect an enterprise's overall debt burden. It is therefore necessary to reassess the existing debt-to-equity ratio or examine the feasibility of introducing an EBITDA-based mechanism. Changes in indirect ownership of assets in Uzbekistan through the sale of shares in foreign holding companies by non-residents may create legal gaps in taxation. Developing clear rules for such cases would help protect Uzbekistan's right to tax income derived from the value of local natural resources. Furthermore, exemptions under the resource-rent tax, deductions for historical costs, and the effectiveness of tax incentives should be evaluated regularly. Tax policy should encourage investment while protecting the state's share of income derived from natural resources and ensuring fair competitive conditions. Overall, improving the international taxation system in Uzbekistan requires an integrated approach combining alignment of legislation with international standards, stronger tax administration, and regular fiscal-impact assessment. Such an approach would help protect the tax base, ensure a fair allocation of tax liabilities, and establish a stable legal environment for investment.

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