

Opportunities for Korean IT business in Uzbekistan

Uzbekistan provides unique conditions for Korean IT Business

TASHKENT, UZBEKISTAN, April 18, 2024 /EINPresswire.com/ -- The Korean economy has been encountering significant challenges in recent years, which exert adverse effects on the country's socio-economic development in the long term. Correspondingly, such circumstance manifests within the business sphere, particularly in the IT sector, where companies are required to perpetually enhance their products. In the absence of novel products, businesses risk losing market share globally.

In the latter half of the 20th century, Korea emerged as a focal point for foreign investments, resulting in a rapid surge in its economy and industry. Over the span of several decades, Korea transitioned from an agrarian nation to an industrial republic. At that juncture, the investment benefited everyone: Korea evolved from an agrarian republic into an industrial one, while investors expanded their businesses and garnered profits.

History repeats itself. However, now Korean businesses can adapt amidst challenging times by relocating their operations to regions



New horizons for the Korean IT Business



WHAT IS THE RESIDENT STATUS OF IT PARK?

This is a special status granted to IT companies and IT educational centers that wish to operate under favorable conditions.

WHAT BENEFITS DOES THE STATUS PROVIDE?

NON-RESIDENTS		IT PARK RESIDENTS
4-15%	Corporate tax	0%
12%	Social tax	0%
1,5%	Property and land tax	0%
YES	VAT	NO
12%	Income tax	7,5%

HOW AND WHERE TO APPLY FOR RESIDENCY?

my.it-park.uz



What is the Resident Status of IT Park

devoid of socioeconomic risks and unveiling new opportunities. In this regard, Uzbekistan offers unique conditions.

Korea and Uzbekistan: Historical and Economic Close Ties

In the 1930s, Uzbekistan became home to hundreds of thousands of Koreans. Since then, the presence and endeavours of the Korean diaspora have constituted an indispensable element of the region's cultural and economic advancement. In 1992, the Korean Education Center was inaugurated in Tashkent, which collaborates with Uzbekistan's governmental entities and organizes events to promote the Korean language.

During the years of independence, Uzbekistan initiated close cooperation with Korea in the economic sector. Leveraging Korean expertise and technology, Uzbekistan entered the club of countries with an automotive industry. Korean investments also played a pivotal role in the realization of the mega-project Uz-Kor Gas Chemical. Presently, the Republic of Korea stands as a key partner in Uzbekistan's foreign trade, reaching a volume of 2.34 billion US dollars by the end of 2023.

As evidenced by the figures, the Republic of Korea plays a significant role in Uzbekistan's industrialization. However, Uzbekistan also has much to offer for the development of cooperation in the IT sphere.

Human Resources Potential in Uzbekistan

The Youthful Population of Uzbekistan

The Republic of Korea is currently facing demographic challenges, with negative natural population growth recorded in the country since 2020. In the long term, this situation will adversely affect all sectors of the economy. Conversely, Uzbekistan is experiencing demographic rejuvenation.

With a population exceeding 36 million people and an average age of 29 years, Uzbekistan presents unique opportunities for conducting business, including in matters of personnel training. After all, young professionals are more adaptable to the changing conditions of the labour market.

Personnel training system

Uzbekistan's social policy is geared towards expanding opportunities for obtaining quality higher education while maintaining its affordability for the population. Currently, over 25,000 students are annually prepared for the IT industry in 65 educational institutions across the country. Established in 2014 with the support of the Republic of Korea, Inha University is one of the leading universities in training IT specialists, with more than 1,500 students enrolled.

The government is also making efforts to train IT specialists outside of educational institutions. In 2019, Uzbekistan launched the national program "One Million Uzbek Coders," which trained

nearly 1.2 million specialists in four in-demand IT fields. Last year, the program was extended and expanded to encompass eight IT directions.

Popularity of Foreign Languages

Another peculiarity, as well as the human resources potential of Uzbekistan, is the increasing interest among the population in learning foreign languages. For instance, over 5 million citizens are proficient in English. As mentioned earlier, the Korean language also enjoys popularity among citizens and ranks among the top 10 most studied languages. Currently, more than 14,000 residents of the country are proficient in Korean.

Availability of Specialists

A key criterion for initiating and conducting business in the IT sector is the level of salary when hiring employees, as labour cost constitutes a significant portion of expenditures in IT companies.

In the Republic of Korea, the average monthly salary for an IT specialist is around \$5500. In Uzbekistan, services provided by a specialist with similar competencies would cost around \$1000 per month. Such disparity in salaries is explained by noticeable differences in the cost of living.

Considering the arguments presented above regarding Uzbekistan's human resource potential, Korean IT companies can simultaneously address several problematic issues: ensuring access to qualified specialists and significantly reducing salary costs.

Tax Preferences for IT Businesses

Since 2017, Uzbekistan has been undertaking economic reforms aimed at creating a favourable business environment. Tax policies have also undergone reforms. Many bureaucratic processes have been simplified, and the complex progressive taxation system has been replaced with a flat tariff scale. Corporate taxes now range from 4 to 15%, depending on the type of company activity, while social tax, VAT, and personal income tax are set at 12%.

In 2019, Uzbekistan established the IT Park to support businesses in high-tech domains. The resident status of IT Park confers special tax incentives, enabling IT companies to significantly expedite their business processes. As a result, companies are exempt from paying all taxes except personal income tax, which stands at a mere 7.5%. Low tax rates, along with an accessible labour force, are integral components of a successful business. Consequently, Korean IT companies can reinvest the freed-up funds into expanding production or developing new products, which will ultimately have a positive impact on venturing into new markets for distribution.

Absence of Bureaucracy

The process of establishing an IT company in Uzbekistan has been significantly streamlined in recent years. For instance, with the assistance of the One Stop Shop program, opening a representative office can be accomplished within a short timeframe. IT Park specialists handle

the most intricate bureaucratic tasks: registering the legal entity, preparing initial documentation, opening a bank account, and registering with tax authorities — all completed within two weeks. To commence this process, applicants need only to submit the appropriate application through the [service's webpage](#).

Minimal Risks and Maximum Opportunities

IT Park also offers unparalleled opportunities for foreign companies seeking to establish their presence in Uzbekistan. Through the Zero Risk program, businesses can significantly reduce costs by availing themselves of the following benefits:

- Complimentary office space in regions of the country for 12 months.
- Assistance in outfitting the office with equipment and furniture for up to 100 individuals, with a 15-month grace period for payments.
- Reimbursement of up to 15% of salaries paid to Uzbekistan citizens.
- Reimbursement of up to 50% of expenses, capped at \$5000, incurred for the training and professional development of employees.

For foreign service-oriented companies whose primary markets for goods and services lie beyond Uzbekistan, additional opportunities are afforded through the “Regional Headquarters” program. This initiative provides companies with incentives and preferences for establishing regional offices in various cities across Uzbekistan.

For companies not yet ready to establish full-fledged representations in Uzbekistan, a virtual office service is available. Through this service, IT Park residents can conduct their operations without the burden of expenses related to office rental, utilities, and support personnel. Moreover, the company will have its own legal and mailing address for the reception and forwarding of correspondence. This service will prove particularly advantageous for companies whose workforce operates remotely.

If any doubts persist

This article delves into the emerging opportunities in Uzbekistan that Korean IT businesses can fully leverage. Companies can concurrently address a range of pivotal objectives: recruiting qualified specialists for their business operations and substantially reducing expenditures.

Uzbekistan has fostered economic cooperation with the Republic of Korea for over three decades, with Korean industrial corporations effectively conducting operations within the country. Thus, what impedes IT companies from penetrating the Uzbek labour market?

For inquiries regarding preferential programs and residency in IT Park, we extend a cordial invitation to [participate](#) in the Uzbekistan Outsourcing Conference in Seoul on April 23rd.

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