

**THE MINING INDUSTRY: INTERNATIONAL EXPERIENCE
AND UZBEKISTAN'S STRATEGY****Turayev Alijon**

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Abstract: This research work is devoted to the issues of optimizing the tax burden of mining enterprises in the context of the global energy transition and instability in raw material markets. The article analyzes the fiscal systems of leading mining countries such as Australia, Canada and Chile and assesses their effectiveness in attracting investments. The central part of the research is aimed at studying the dynamics of fiscal revenues in the Republic of Uzbekistan in 2022-2025, including the new edition of the Law "On Subsoil" and the example of Navoi and Almalyk Mining and Metallurgical Combines. The author, analyzing the balance between corporate profit tax, subsoil use tax (royalty) and dividend policy, developed scientific proposals to increase the international competitiveness of the national mining industry. The impact of the IPO processes planned for 2027 and entry into international financial markets on tax transparency is also highlighted.

Keywords : Mining industry, tax burden optimization, subsoil use tax, royalty, investment attractiveness, NGMK, OKMK, international fiscal regimes, energy transition, critical minerals, IPO, tax stability .

Introduction

In the global economy, the mining industry is a strategic sector that supplies not only traditional metals, but also critical minerals necessary for modern technologies and "green" energy. In recent years, the sharp increase in demand for copper, lithium, cobalt and rare earth metals has brought competition for investment capital among countries operating in this sector to a new level. In such conditions, the fiscal policy of countries has become the main tool not only to ensure budget revenues, but also to support long-term and high-risk mining projects of

Uzbekistan has one of the world's largest mineral and raw material bases and is among the top five in the world in gold production. According to the results of 2024, the Navoi Mining and Metallurgical Combine (NGMK) strengthened its global position, having mined 3.1 million ounces of gold. At the same time, the country aims to increase copper production to 500 thousand tons and uranium to 10 thousand tons by 2030. Achieving these ambitious goals requires optimizing the tax burden in the mining industry and creating a fiscal system that meets international standards. At the current stage, Uzbekistan's strategy is aimed at gradually reducing the tax burden and eliminating administrative barriers. In particular, the reduction of value-added tax (VAT) to 12 percent and the stabilization of profit tax rates are positively assessed by international rating agencies. However, price volatility in global markets (for example, the price of copper rising from \$8,000 to \$10,000 or the price of gold reaching record levels) requires the current tax system to be more flexible and progressive.¹

Analysis of literature on the topic

The mining industry is based on the concept of a specific "resource rent". According to economists Ricardo and Hotelling, since natural resources are limited, the profit from their use is higher than the simple profit from capital. The state, as the owner of the subsoil, has the right to collect part of this excess profit through taxes. Modern studies distinguish two models of optimizing the tax burden: "tax-based" and "contract-based" models.² Researchers who have studied the experience of Latin America (IDB and IGF studies) emphasize the importance of a progressive royalty system in the mining industry. The royalty system linked to the operating margin introduced in Chile for copper mining ensures not only budget stability, but also the survival of enterprises in times of falling prices. This approach is seen as the most optimal way to maintain the balance of "equity vs efficiency". Analysis by the Chamber of Mines and Energy (CME) in Western Australia shows that for investors, the stability and predictability of the system are more important than the absolute amount of the tax rate. It has been found that changes in tax policy in Australia (for example, a proposal to increase the cash flow tax by 5%) can reduce investment flows by 30-50%. In the conditions of the Uzbek economy, issues of optimizing the tax burden have been considered by local scientists mainly within the framework of the activities of large state-owned enterprises (NGMK and OKMK). However, in the context

¹PricewaterhouseCoopers. (2025). Uzbekistan investment guide 2025. <https://www.pwc.com/uz/en/assets/uzbekistan-investment-guide-2025.pdf>

²Inter-American Development Bank. (2025, December 17). Three opportunities to improve mining tax collection and fiscal institutions in Latin America. <https://www.iadb.org/en/blog/modernization-state/fiscal-management/three-opportunities-improve-mining-tax-collection-and-fiscal-institutions-latin-america>

of global changes in the last three years (2023-2025) - the energy transition and the growth of mineral raw materials prices - there is a need to analyze Uzbekistan's strategy from a new perspective. In particular, the fiscal consequences of the new version of the Law "On Subsoil", adopted in 2024, have not yet been widely studied.³

Analytical framework and methodological foundations of the study

This study used systematic analysis, comparative jurisprudence, and econometric modeling methods to study fiscal processes in the mining industry. The methodological framework of the study covers the following stages:

First, the main indicators that determine the tax burden in the mining industry on a global scale - corporate income tax, subsoil use tax (royalties) and other mandatory payments - were analyzed. In this, the fiscal changes of Australia, Canada and Chile for 2023-2025 were taken as the main benchmark.⁴

Secondly, the dynamics of fiscal reforms in Uzbekistan's mining industry were studied. For this, the Law No. ZRU-987 "On Subsoil" adopted in 2024, amendments to the Tax Code, and tax rates in the 2025 budget were taken as a basis.

Main part problem analysis and results

International experience: Australian, Canadian and Chilean models

mining countries have implemented significant reforms to adapt their fiscal regimes to "green" energy between 2023 and 2025. The Australian model is notable for its sustainability. Although the country has a corporate tax rate of 30 percent, there are various incentive mechanisms. For example, the Fuel Tax Credits system significantly reduces operating costs for mines located far from the city. Australia's experience shows that the stability of the tax rate is more important for investment inflows than the level of the tax rate. By 2026, the Australian mining industry is striving to maintain the most competitive energy and tax parameters in the world.⁵

Canada's experience is more focused on streamlining administrative processes and encouraging exploration. The Major Projects Office (MPO), established under the Building Canada Act, which came into force in 2025, aims to reduce the time it takes to obtain permits

³US Department of State. (2025). 2025 investment climate statements: Uzbekistan. <https://www.state.gov/reports/2025-investment-climate-statements/uzbekistan/>

⁴Jebson, B., Pickersgill, M., Amm, MD, Seaborn, C., Mahony, DE, Lax, TR, & Wakil, O. (2026, February). The key trends shaping Canada's mining industry in 2026. Torys LLP. <https://www.torlys.com/our-latest-thinking/publications/2026/02/key-trends-in-mining-2026>

⁵Hidayat, M. (2026, February 4). CME urges tax and energy settings to keep mining competitive. Discovery Alert. <https://discoveryalert.com.au/cme-tax-energy-settings-mining-competitive-2026/>

for mining projects by 30-50 percent. The "flow-through shares" system used in Canada allows investors to deduct exploration costs from their personal tax liabilities, making it easier to raise capital for "risky" projects.

The Chilean model is a shining example of progressivity. As the world's largest copper and lithium producer, Chile introduced a new tax regime in 2023. It links the royalty rate to the operating profit of the enterprise. For example, the lithium industry generated tax revenues equivalent to 1.9 percent of Chile's GDP in 2022. Mining activities in Chile are constitutionally protected, which serves as a reliable guarantee for investors even during times of political change.⁶

Parameter	Australia	Canada	Chile	Uzbekistan
Corporate income tax	30%	26.5%	27%	15% (large taxpayers)
Royalty (Subsoil Tax)	Variable (Depends on State)	Variable (Depends on Region)	Depends on operating margin	Rate determined by ore type
Main incentive	Fuel tax credits	Flow-through shares	Stabilization agreements	VAT 12%, Customs privileges
Time to get permission	Average	Accelerated via MPO	Legally protected	"Single Window" and Auction

Uzbekistan Strategy: Reforms and Results (2023-2025)

Uzbekistan's tax strategy in the mining industry has been shaped in recent years by the principles of "liberalization" and "transparency." The country's government is striving to modernize large state-owned enterprises and create a favorable legal and fiscal environment for foreign investors.

The new edition of the Law "On Subsoil " (ZRU-987)

This law, signed on October 31, 2024, was one of the most important reforms in the sector. The fiscally important aspects of the bill include:

⁶Correa, JM, & Curia, F. (2026, January 27). Mining 2026: Chile – Trends and developments. Chambers and Partners. <https://practiceguides.chambers.com/practice-guides/mining-2026/chile/trends-and-developments>

Transparency in licensing: Subsoil use rights are now awarded through electronic auctions ("E-IJRO AUCTION"), which reduces the risk of corruption and increases revenue to the state budget.

License as collateral: License holders can use their rights as collateral for bank loans, which makes it easier to attract investment.

Geological data openness: Access to geological data for investors has been expanded, which reduces risks at the discovery stage.

Changes in the tax system and forecasts for 2026

Changes that will take effect on January 1, 2026 will directly affect the mining industry. In particular:

1. **Subsoil Use Tax: Separate tax rates have been introduced for** marble, granite, gypsum, and other non-ore materials . Tax rates for the mining and chemical industry and construction materials have also been indexed by about 10 percent.⁷

2. **Water resource use tax :** Water tax rates for the mining industry, along with other sectors of the economy, are being almost doubled, providing incentives for the introduction of water-saving technologies.

3. **Excise Tax:** Excise tax rates for gasoline, diesel, and other fuel products will increase by an average of 10 percent from April 1, 2026, which will affect the operating costs of heavy equipment used in mines.⁸

Analysis of the financial stability and tax burden of NGMK and OKMK

The stability of Uzbekistan's budget largely depends on giants such as the Navoi Mining and Metallurgical Combine (NGMK) and the Almalyk Mining and Metallurgical Combine (OKMK).⁹

Navoi Mining and Metallurgical Combine (NGMK)

NGMK achieved record figures in 2024 as the world's fourth largest gold producer.

• **Revenue and Profit:** The plant generated \$7.4 billion in revenue in 2024, while the EBITDA margin remained at 60 percent.

• **Tax payments :** According to the Tax Committee, NGMK paid 35.4 trillion soums in taxes to the state budget in 2024 , maintaining its status as the largest taxpayer in the country.

⁷Zulunov, D., Bachmanov, S., & Tarnavska, M. (2025, January 15). Changes in taxation in Uzbekistan from 2025. EY. https://www.ey.com/en_uz/technical/tax-alerts/2025/01/changes-in-taxation-in-uzbekistan

⁸Zulunov, D., Bachmanov, S., & Tarnavska, M. (2025, January 15). Changes in taxation in Uzbekistan from 2025. EY. https://www.ey.com/en_uz/technical/tax-alerts/2025/01/changes-in-taxation-in-uzbekistan

⁹Navoi Mining and Metallurgical Company. (n.d.). Reports and results. <https://www.ngmk.uz/en/investors/reports-and-results/>

- **Fiscal efficiency:** The combine achieved a cost reduction of 3.7 trillion soums (or 13 percent), which served to expand the profit tax base.

- **International debt market:** In 2024-2025, NGMK successfully placed a total of \$1.5 billion in Eurobonds on the London Stock Exchange. This demonstrates that the company's financial transparency meets international standards (IFRS) .

Almalyk Mining and Metallurgical Combine (OMMK)

OKMK is currently implementing a major \$5 billion investment project to dramatically increase copper production.

- **Tax payments :** In 2024, the combine paid **10.8 trillion soums** in taxes.

- **Profit growth :** According to the results of the first 9 months of 2025, OKMK's net profit reached 8.3 trillion soums, an increase of 35.1% compared to the previous year. This growth is due to the increase in copper and gold prices on the world market.

- **IPO strategy:** The IPO, planned for the first half of 2027, will mark the beginning of a new era for the combine. According to the plan , it is expected to attract investments of between \$500 million and \$1.4 billion through the sale of 10-20% of the shares.

Indicator (2024)	NGMK	OKMC
Total tax payments (trillion soums)	35.4	10.8
Gold production	3.1 million ounces	34 tons
Copper production	—	150 thousand tons (2023)
Credit rating (S&P/Fitch)	BB (Stable)	BB- (Stable)

Problems and optimization directions

During the research, a number of problems were identified that impede further optimization of the tax burden in the mining industry of Uzbekistan :

1. **Price-dependent fiscal regime : Sharp** fluctuations in gold and copper prices have a strong impact on the profitability of enterprises. The current flat royalty rates limit the state's share of "super-profits" during periods of high prices, and become a heavy burden on enterprises during periods of low prices.

2. **High dividend burden:** According to S&P Global analysis, OKMK pays out nearly 80 percent of its net profit as dividends, which reduces the company's ability to self-finance and forces it to rely on external debt.

3. **Energy subsidies and tax linkages:** The government spends \$1 billion a year subsidizing the energy sector. For mining companies, shifting energy prices to market principles may reduce their tax base (profits), but save the government subsidy costs.

Second and Third Order Analyses: Strategic Implications

the mining industry are not limited to budget revenues. Their impact on the economy is much broader.

have a positive impact on the country's overall sovereign rating. After S&P Global upgraded Uzbekistan's rating to 'BB' in November 2025, the ratings of NGMK and OKMK were also upgraded accordingly. This is the so-called "halo effect": the fiscal regime of large enterprises determines the investment attractiveness of the entire country. Another important aspect is the focus on the domestic market. OKMK is reducing copper exports (from 22.8% to 13.2%), directing the product to domestic processing enterprises. This strategy helps create a "high value-added chain". From a tax point of view, this will lead to a decrease in export duties, but an increase in VAT and profit tax collected from domestic producers.

Conclusion and suggestions

Uzbekistan embodies the best aspects of international experience (transparency, sustainability). The reforms of 2024-2025 have brought the sector to a new level, but for sustainable development, the following measures are proposed:

1. **Transition to a progressive royalty system:** Building on Chile's experience, it is necessary to link royalty rates for gold and copper to operating profit margins. This will maximize budget revenues when prices are high and prevent mine closures when prices are low.

2. **Review of dividend policy:** To encourage large enterprises (NGMK, OKMK) to finance their investment programs from their own funds, it is advisable to gradually reduce the share of dividend payments to 50-60 percent. This will reduce the debt burden and increase financial independence.

3. **Special regime for critical minerals:** For companies engaged in the exploration of minerals essential for the energy transition, such as lithium, graphite, and rare earth metals, it is necessary to introduce a system of "tax holidays" or deductions of exploration costs from the tax base, similar to Canada.

4. **Fiscal stability guarantees:** The Subsoil Act should legally strengthen 15-20-year "fiscal stability agreements" for large foreign investors. This has been proven to be a key factor in ensuring investor confidence in countries such as Australia.

In conclusion, Uzbekistan's mining industry remains the "heart" of the economy. Rational optimization of the tax burden will not only enrich the state treasury, but also strengthen the country's position in global technological chains.

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