

Legal developments affecting the pharmaceutical industry 05 August 2017

This legal alert highlights the most important recent legal developments that affect the Uzbek pharmaceutical industry as a whole and activities of foreign pharmaceutical producers and their representative offices in Uzbekistan in particular.

UzMedEksport as an Exclusive Importer of pharm Products:

Starting from August 1, 2017, import of socially important pharmaceutical products shall be done exclusively by the State Enterprise “UzMedEksport” without conducting tender bids. The import shall be done by conclusion of direct contracts with the suppliers at the prices set by the Republican Commission for Control over Supply of the Population with Pharmaceutical Products (the “Commission”). The Decree instructs the Commission to develop a new mechanism for setting wholesale and retail prices for socially important pharmaceutical products, where the fluctuation of foreign currency exchange shall have minimal effect.

Presidential Decree No. ПП-3137 dated 17.07.2017

Retail Trade in Pharmaceuticals:

- The Ministry of Health shall establish its own chain of pharmacies with the aim of increasing availability of socially important pharmaceutical products.
- Certification of medical products can now be done only by the state certification bodies accredited by “Uzstandard”.
- All pharmacies shall have their licenses re-issued by the Council of Ministers of the Republic of Karakalpakstan and local municipalities (khokimiyats) until January 1, 2018.
- The Ministry of Health shall develop and maintain a publicly open registry of pharmacies, whose licenses were revoked due to violation of license requirements, including price formation, as well as employees of such pharmacies, who were directly art and part in such violations.

Presidential Decree No. ПП-3137 dated 17.07.2017

Free Economic Zones for Pharmaceutical Activities:

These free zones specialize in cultivation of medical plants in newly established plantations within free economic zones and production of local pharmaceutical products from pharmaceutical substances and medical plants materials grown in those plantations. The free economic zones are established for 30 years with possible further extension of the term. Seven free economic zones have been established specializing in the production of pharmaceuticals. These are: (i) ‘Nukus-pharm’ in Republic of Karakalpakstan, (ii) ‘Zomin-pharm’ in Jizzakh region, (iii) ‘Kosonsoy-pharm’ in Namangan region, (iv) ‘Sirdaryo-pharm’ in Sirdarya region, (v) ‘Boysun-pharm’ in Surkhandarya region, (vi) ‘Bustonlik-pharm’ and (vii) ‘Parkent-pharm’ in Tashkent region.

The free economic zones are subject to certain tax, customs and forex incentives. Particularly, legal entities registered in these economic zones are exempted from land tax, corporate profit tax, property tax, infrastructure development tax, unified tax payment, mandatory deductions to the State Road Fund and the off-budget School Fund as well as customs payment for the equipment, spare parts and raw materials used for production needs.

Presidential Decree No. УП-5032 dated 03.05.2017

Market Foreign Currency Rate for Commercial Banks:

Amendments were introduced to the Regulations on OTC Forex Market No. 294 of July 10, 2001. Particularly, the requirement that Uzbek banks in their dealings with customers must refer to the average price of foreign currency determined during interbank trade sessions was abolished. It is now a 'market rate' that is to be used in banking operations, however, the Decree fails to provide the definition of the 'market rate'.

As it may be seen, interbank trade sessions, which were used as an instrument for controlling forex rates, are now supposed to be not a decisive indicator in forex dealings between banks and customers. With that, however, no clue is given what the "market rate" represents and indirect influence of the Central Bank may be used in order to fix such a rate.

Decree of the Cabinet of Ministers No. 449 dated 30.06.2017

Abolishment of Mandatory Sale of Export Proceeds:

Starting from August 1, 2017, exporters of goods, works and services are not required to sell 25% of their export proceeds to their servicing bank at the official foreign currency exchange rate.

Presidential Decree No. ПП-3157 dated 28.07.2017

Import VAT: Exemption for Pharmaceutical Raw Materials:

Amendments were introduced to the List of Raw Materials Used for Production of Pharmaceutical Products. 89 items were amended and 924 new items were added.

List No. 1952-3 dated 14.07.2017