



Uzbekistan Legal Newsletter

OCTOBER 2024

In October, several important legal developments occurred in Uzbekistan. One of the most notable was the adoption of the new Law "On Subsoil", the key legal act regulating the oil, gas, and mining industries. Other significant changes include the adoption of the Law "On the Cabinet of Ministers" and the Law "On Creative Economy", as well as the approval of a new Regulation on the Implementation of PPP Projects, the Rules for the Use of Electric Energy Distribution Lines, and the Regulation on Outstaffing Services. Additionally, measures have been introduced to support digital exporters and foster the development of artificial intelligence.

1. NEW LAW ON SUBSOIL

On 31 October 2024, a new Law "On Subsoil" was adopted. It will come into force on 2 February 2025, replacing the existing [Law "On Subsoil"](#) of 13 December 2002, which is currently the primary regulatory act for the oil, gas, and mining industries. The new Law, among other things, provides for the following:

- the subsoil is defined as a part of the Earth's crust located below the soil layer, and in the absence of soil, below the Earth's surface or the bottom of water bodies, extending to the depths accessible for geological study and exploration.
- the following types of subsoil use rights are distinguished: geological study of solid minerals, extraction of solid minerals, hydrocarbon exploration, geological study of hydrocarbons, extraction of hydrocarbons, geological study for underground storage purposes, underground storage, artisanal mining, and collection of sample materials;
- each type of subsoil use right is granted based on a permit for the use of subsurface areas. The Subsoil Use Centre issues permits for all types of subsoil use, except for those related to the use of subsurface space for the construction and operation of underground facilities for waste storage and disposal (excluding hydrocarbon storage), which are issued by the Ministry of Ecology, Environmental Protection, and Climate Change. Most permits may also be granted through alternative methods: (i) tendering or auctioning; and (ii) based on decisions of the President and the Cabinet of Ministers;
- only citizens and residents of Uzbekistan, as well as companies registered in Uzbekistan, may apply for permits and become subsoil users. Applicants must disclose their beneficiaries. Permits are granted on a "first-come, first-served" basis. Applications submitted prior to the enactment of the Law will be considered under the current Law "On Subsoil" of 13 December 2002. Existing permits, production-sharing agreements, and investment agreements will remain valid and be carried out according to their terms;
- a person holding a permit for geological exploration and mineral extraction may, with the consent of the Subsoil Use Centre, transfer their rights under the permit, including providing them as collateral or security to another party, provided that the latter assumes the obligation to fulfil the conditions outlined in the permit;
- the Law provides the following special guarantees for holders of permits for the extraction of hydrocarbons: (i) the purchase of a portion of the extracted hydrocarbons by state authorities and enterprises under separate agreements; (ii) full access to transportation, processing

facilities, and other relevant infrastructure for the extracted hydrocarbons; and (iii) the right to export to third parties a portion of the extracted natural gas on market terms, based on the principle of impartiality between the parties, at international market prices under separate agreements;

- if a hydrocarbon deposit containing a commercial discovery is located partially within the boundaries of a subsoil area covered by one hydrocarbon extraction permit and partially within another subsoil area covered by a different hydrocarbon extraction permit, the Ministry of Energy may send a written request to the relevant subsoil users, urging them to enter into a joint development agreement. If they fail to do so within 18 months, the Ministry may establish the terms of their agreement;
- the Law introduces minimum local content requirements for subsoil users, including those related to employees, procured goods, works, and services, as well as the obligations to train local personnel and share communication channels. It is to note that the Law provides that the minimum requirements for subsoil users set forth in the Law apply to those operating under relevant permits as of the date the Law enters into force, starting from January 1 of the following year;
- the Law sets detailed rules for the liquidation of the consequences of subsoil use. Hence, among other things, before commencing any planned subsoil use activities, a subsoil user must prepare a preliminary plan for the decommissioning of the subsoil area. Subsoil users with valid subsoil use permits are required to submit a plan for mitigating the consequences of subsoil use no later than 2 years from the date the Law enters into force, unless they have submitted a new or updated field development plan before that date;
- it is envisaged that, within 5 years from the date the Law enters into force, the subsoil management and disposal system will be gradually restructured based on the introduced cadastral grid system. All permits, as well as production-sharing agreements or investment agreements concluded before the establishment of the cadastral grid system, shall be issued under the existing system.

[Law No. ZRU-987 of 31 October 2024](#)

2. IMPROVEMENT OF STATE PROPERTY MANAGEMENT

On 22 October 2024, a Law aiming to improve the management of state property was adopted. It, among other things, establishes the following:

- the practice of selling state property at “zero” value is abolished;
- in cases where a limited liability company’s charter requires the sale of state shares through public trades, the pre-emptive rights may not be exercised;
- the Central Securities Depository has been transformed into a joint-stock company;
- charitable expenses of companies with more than 50% state ownership shall be capped at 3% of net income for a previous year;

- decisions to pledge state property not assigned to anyone under the right of economic management shall be made by the Cabinet of Ministers. State property may not be pledged if its privatization is prohibited. From the date of the decision to transform a state organization into a commercial entity, state property assigned to it under the right of operational control may not be pledged until the transformation is completed.

The President has also signed a Resolution on accelerating privatization, which envisages the following:

- state shares may be sold to foreign investors in foreign currency through trades on the Republican Stock Exchange "Tashkent" with the payment being made in the currency agreed in the sale contract;
- land plots in special economic, small industrial, youth industrial, and entrepreneurial zones shall be auctioned in accordance with master plans, after the necessary infrastructure has been established and accepted for commissioning by the state acceptance commission. In industrial zones, investors may carry out infrastructure development in accordance with rules set by the Cabinet of Ministers. Rules for the reimbursement of relevant expenses will be introduced.

[Law No. ZRU-980 of 22 October 2024](#)

[Presidential Resolution No. UP-159 of 16 October 2024](#)

3. NEW LAW ON CABINET OF MINISTERS

A new Law on the Cabinet of Ministers of Uzbekistan has been adopted. Under the Law, the Cabinet of Ministers – the Government of the Republic of Uzbekistan – is the highest executive authority, responsible for ensuring the effective functioning of the economy, social, and spiritual sectors, as well as the implementation of the Constitution and laws of Uzbekistan, decisions of the chambers of the Oliy Majlis, and decrees, resolutions, and orders of the President. The Cabinet of Ministers operates within the framework of the main directions of executive power set by the President and is accountable to both the Oliy Majlis and the President. The Law outlines, among other things, the status, structure, authority, decision-making processes, and cooperation of the Cabinet of Ministers with other state bodies.

[Law No. ZRU-982 of 25 October 2024](#)

4. LAW ON CREATIVE INDUSTRY

A Law "On the Creative Industry" was adopted and entered into force on 4 October 2024. Under the Law, the industry encompasses various creative activities, including literary arts, architecture, fashion and design, audiovisual arts, performing arts, the organization of concerts and entertainment activities, cultural events, and the operations of museums and art galleries. The Law establishes a framework for supporting and regulating the creative industry, among other things, providing for the following:

- forms of state support for the creative industry;
- the creation of creative industry parks and infrastructure;
- the establishment of the Republican Council for the Development of the Creative Industry, an advisory body composed of representatives from both the public and private sectors, as well as international and local experts.

[Law No. ZRU-970 of 3 October 2024](#)

5. DEVELOPMENT OF PPP LEGAL FRAMEWORK

The Cabinet of Ministers has adopted a Resolution on the development of public-private partnerships (PPP), which entered into force on 31 October 2024. The Resolution stipulates that: (i) ministries, departments, and local municipalities must publish tender documentation, project concept notes, and terms of PPP agreements for projects valued over USD 10 million on the international platform "Source" to attract foreign investors; and (ii) by 1 April 2025, the Ministry of Economic and Finance (MoEF) shall submit a draft Law amending the Law "On Public-Private Partnership" to the Cabinet of Ministers, developed based on international practice.

The Resolution has also approved a new Regulation on the Implementation of PPP Projects which replaces the previous regulation approved by [Resolution No. 259 of 26 April 2020](#). The new Regulation introduces, among other things, the following changes:

- the eligibility criteria for implementing projects under the PPP modality have been liberalized;
- for projects valued at USD 10 million or more, a public partner is required to engage international or local consultants;
- the procedures for conducting public hearings and land allocation have been clarified;
- where a consortium bids in a tender for implementing a PPP project, relevant technical requirements may now be met not only by the lead company, as was previously required, but also by the lead company in conjunction with other consortium members;
- project concept notes, project assessment documents, and PPP agreements must now be registered with the special registry of the MoEF to be valid;
- changes to the templates for project concept notes and project assessment documents.

The Resolution also approved a new Regulation on Financing PPP Projects, which replaces the previous regulation approved by [Resolution No. 509 of 11 August 2021](#).

[Resolution of the Cabinet of Ministers No. 720 of 30 October 2024](#)

6. REGULATION ON OUTSTAFFING SERVICES

The Cabinet of Ministers has approved a Regulation on the provision of outstaffing services. Outstaffers are legal entities that transfer their in-house employees to receiving organizations under relevant agreements. While the Regulation outlines the requirements for the content of the

outstaffing services agreement, it does not set specific requirements for the outstaffer and receiving organization, other than that they must be legal entities. Outstaffers are responsible for paying employee salaries, and it is prohibited to outstaff employees abroad. State organizations are also permitted to procure outstaffing services. Employees cannot be outstaffed for the following types of work:

- operation of highly dangerous facilities and equipment, including explosive, flammable, aggressive, and radioactive materials;
- situations where the receiving organization is undergoing insolvency procedures, facing the risk of mass dismissal, etc.;
- other restrictions if specified by law.

[*Resolution of the Cabinet of Ministers No. 706 of 25 October 2024*](#)

7. RULES FOR USE OF ELECTRIC ENERGY DISTRIBUTION LINES

Following the adoption of the [Rules for the Use of the Main Electric Energy Transmission Lines](#) in June 2024 and as envisaged by the new [Law “On the Electric Energy Industry”](#), the Cabinet of Ministers has approved Rules for the Use of Electric Energy Distribution Lines, which will take effect on 11 January 2025. The Rules, among other things, set out: (i) a new procedure for the connection of small-capacity generators and consumers to electric energy distribution lines, and (ii) new general technical requirements for maintenance of lines by all categories of users, aimed at ensuring the rational and transparent use of the lines.

[*Resolution of the Cabinet of Ministers No. 652 of 9 October 2024*](#)

8. SUPPORT OF DIGITAL EXPORTERS

The President has signed a Decree on measures for the support of exporters of digital products which, among other things, provides for the following:

- IT-Park residents are allowed to render limited education services and export Knowledge Process Outsourcing through the Internet;
- starting from 1 February 2025 till 1 January 2030, IT-Park residents incorporated in countries that do not have double taxation treaties with Uzbekistan will be exempt from corporate income tax on rendered digital services (including those subject to royalties) if their export volume exceeds USD 10 million in a calendar year till the end of the relevant calendar year;
- starting from 1 February 2025 till 1 January 2040, a 5% income tax rate will apply to dividends payable to foreign shareholders of IT-Park residents (similar to that of Uzbek tax residents) if the export volume exceeds 50% of their aggregate income;
- tax and customs incentives (excluding VAT) provided under [Presidential Decree No. UP-5099 of 30 June 2017](#) will be extended from 1 January 2028 to 1 January 2040 for IT-Park residents meeting the following requirements: (i) if their volume of exports exceeds 50% of their income

in a calendar year; (ii) if they provide IT education services and more than 50% of their graduates over the age of 18 during a calendar year have been employed by exporting enterprises that are residents of the IT-Park;

- the Action Plan for Increasing the Export of Services in the Digital Sector and Attracting Foreign Companies Operating in this Sector to Uzbekistan ([Annex](#)).

[Presidential Decree No. UP-157 of 14 October 2024](#)

9. DEVELOPMENT OF ARTIFICIAL INTELLIGENCE TECHNOLOGIES

The President has issued a Resolution approving the Strategy for the Development of Artificial Intelligence (AI) Technologies until 2030 ([Annex 1](#) to the Resolution), which aims to:

- increase the volume of AI software products and services to USD 1.5 billion;
- raise the share of services provided on the Unified Portal of Interactive Public Services based on AI to 10%;
- expand the number of scientific laboratories operating in the field of AI to 10 and launch high-performance computing servers;
- position Uzbekistan among the top 50 countries in the Government AI Readiness Index.

The Resolution also approves the Action Plan for Implementing the Strategy for the Development of AI Technologies for 2024-2026 ([Annex 2](#)) and the List of Big Data that shall be Formed in the Social Sphere and Economic Sectors ([Annex 3](#)). The Ministry of Digital Technologies shall propose a list of priority AI projects by 1 December 2024. The priority areas for implementing AI technologies include:

- banking and finance: fraud prevention, user solvency assessment, and market trend forecasting;
- tax and customs: reducing the share of the shadow economy, forecasting suspicious customs operations, and risk management;
- healthcare: determining diagnosing and treatment methods, analyzing medical images, and managing patient data;
- agriculture: forecasting crop yields, managing agricultural resources, and monitoring crops, poultry, fish, and livestock;
- energy sector: energy management, optimizing energy production and distribution, developing renewable energy sources, and demand forecasting.

[Presidential Resolution No. PP-358 of 14 October 2024](#)

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