

## LEGAL NEWSLETTER No. 2, OCTOBER 2018

Dear colleagues,

We are pleased to supply you with some useful information on the latest changes in the Uzbek business legislation, which took place in October 2018. October became another productive month in terms of the improvement of the Uzbek commercial environment – the trade legislation has been significantly liberalized and a variety of smaller reforms has been made across different sectors. It is of interest that Uzbekistan has been ranked 76<sup>th</sup> in the influential World Bank’s Doing Business Report 2019, to which our lawyers are proud contributors. Further, it seems that the meeting of President Mirziyoyev with Vladimir Putin on October 19, 2018, has given new impetus to the Russian-Uzbek relationship, in particular, in the nuclear, oil and gas, agricultural and financial industries.

### **1 LIBERALIZATION OF TRADE LEGISLATION**

The long-awaited Presidential Decree No. UP-5565 has cancelled or simplified a number of requirements of the trade legislation. Thus, from November 1, 2018: (i) imported highly liquid goods, including, among other things, petrol, coal, cement, sugar, construction glass, barley and cotton fibre, can be sold freely in the internal market outside commodity exchanges; (ii) business entities with the daily income of less than 20 times the minimum monthly wage (app. USD 490) are permitted to hand over received cash to their servicing banks based on individual self-drafted schedules.

From January 1, 2019: (i) the licensing of wholesale trade will be abolished; (ii) the permit for itinerant trade will be abolished; (iii) the requirement for a mandatory 15% prepayment on all intra-country trade transactions will be

cancelled; (iv) the export prohibition for certain types of goods, including pork, poultry, sugar, vegetable and seed oils and bakery products, will be lifted; (v) the consent of the Competition Committee for selling goods on the commodity exchange will no longer be required; (vi) financial penalties for outstanding accounts receivable for private companies and organizations with the state share of less than 50% of the registered capital will no longer be applied.

A number of other important novelties are envisaged, including, among other things, (i) the outright provision of individuals with the right to take out of the country up to USD 5,000 in cash, when travelling abroad; (ii) the streamlining of the rules for executing online transactions (e.g. if the value of an online transaction is under USD 5,000, no written contract, cargo transport declaration and registration with the state electronic customs system are required); (iii) the intention to sell the state share in the Republican Commodity Exchange, (iv) the intention to accede to the inter-state Treaty of the Commonwealth of Independent States on the Cooperation in the Competition Law Area.

*Presidential Decree No. UP-5564 of October 30, 2018.*

## **2 ABOLISHMENT OF LICENSING REQUIREMENTS**

The licensing requirement has been abolished for 4 types of business activities. The relevant activities include: (1) the aircrafts servicing related to air transportation in airports; (2) the fermentation of tobacco materials; (3) the production, dubbing and demonstration of audiovisual works; (4) the sale and rental of audiovisual works, phonograms and computer programs.

*Law No. ZRU-494 of October 3, 2018.*

## **3 REDUCTION IN NUMBER OF REQUIRED SPECIAL STATE PERMITS**

Previously approved abolishment of a number of special state permits has been now reflected in all relevant subordinate legal acts, including the state register of state licenses and permits. More than 30 special permits have been excluded from the register in various spheres, including retail trade, foreign economic activities, labor and social protection, construction, banking, insurance, extraction and use of natural resources, environment protection, advertising, pharmaceuticals, etc. Some of the most notable of the abolished permits include the permit for placing outdoor advertisement, the

pre-allotment opinion on the selection of a land plot, the approval of a feasibility study for creating/constructing mining enterprises.

*Resolution of the Cabinet of Ministers No. 884 of October 29, 2018.*

#### **4 SIMPLIFICATION OF PROCEDURES FOR SALE OF STATE PROPERTY**

The government has launched an experiment on the simplification of procedures for disposing land plots and state-owned real estate. Regional governors are now empowered, among other things: (i) to sell vacant real estate objects through the electronic auction platform "E-IJRO AUKSION" at the starting price of UZS 1 with the imposition of social or investment obligations; (ii) to sell the right of temporary use of land plots for up to 50 years for business and urban development purposes with the imposition of social or investment obligations (not less than USD 1 mln); (iii) to sell the right of permanent use of land plots located within the territories adjacent to the roads of international and national importance for the creation of objects of the roadside and tourist infrastructure.

Moreover, the following state fees are no longer levied: (i) the fee for filling a privatization application to the State Competition Committee; (ii) the fee for the issuance of the state ownership order (which is a certificate confirming ownership rights to privatized property).

*Presidential Decree No. UP-5552 of October 11, 2018.*

#### **5 ESTABLISHMENT OF NEW SMALL INDUSTRIAL ZONES IN BUKHARA REGION**

5 small industrial zones have been created in Bukhara region. The property in the zones can be rented for up to 10 years. The right of ownership to the rented property will be transferred to the investor if his initially submitted business plan is complied with and taken obligations to create jobs and pay taxes are fulfilled.

*Presidential Resolution No. PP-3965 of October 11, 2018.*

#### **6 PROVISION OF BENEFITS FOR DEVELOPMENT OF ARAL SEA REGION**

Industrial micro-firms and small enterprises established in particular areas of Karakalpakstan and Khorezm region are now exempt from their main tax – the single tax payment till either January 1, 2022, or January 1, 2027, depending on the region.

Business entities located in some of areas of the above regions are also exempt from paying customs duties for imported special equipment, spare parts, construction materials and metal structures that are not produced in Uzbekistan till January 1, 2020.

*Presidential Resolution No. PP-3970 of October 15, 2018.*

## **7 INCREASE OF MINIMUM MONTHLY WAGE**

The minimum monthly wage will be increased from UZS 184,300 to UZS 202,730 from November 1, 2018.

*Presidential Decree No. UP-5553 of October 13, 2018.*

## **8 ADOPTION OF LAW ON PRIVATE EMPLOYMENT AGENCIES**

The new Law on Private Employment Agencies regulating activities of relevant companies was adopted on October 16, 2018. In accordance with the Law, a private employment agency is a commercial organization that can be created by legal entities and/or individuals in any legal form for providing the following services: (a) assisting in finding a job in Uzbekistan; (b) recruiting for employers; (c) assisting in finding a job outside of Uzbekistan; and (4) rendering information and advisory services in the field of employment. Such organizations must have at least two employees, including a manager with a higher education (in any discipline).

*Law on Private Employment Agencies No. ZRU-501 of October 16, 2018.*

## **9 SIMPLIFICATION OF RULES FOR EXPORTING FRUITS AND VEGETABLES**

Rules for exporting fruits and vegetables have been greatly simplified. Legal entities are now allowed to export them without any guarantee of payment from purchasers (e.g. a prepayment, a bank guarantee, an insurance policy, etc.) as well as without obtaining a license for wholesale trade.

However, the organizations that have not ensured timely receipt of proceeds from such export will be included in a special register of careless exporters. For such exporters the requirement for receiving a full prepayment will apply for any subsequent export contracts.

*Presidential Resolution No. PP-3978 of October 17, 2018.*

## NEW PROCEDURE FOR RECOGNIZING RESULTS OF FOREIGN REGISTRATION OF PHARMACEUTICALS

The government has introduced a new procedure for recognizing the results of the registration of pharmaceuticals outside of Uzbekistan (in 20 countries, including Germany, France, the UK and the US, and European Medicines Agency, as listed in the Presidential Resolution No. PP-3948 of September 24, 2018).

In accordance with the new rules, the recognition is made by the State Center for Expertise and Standardization of Pharmaceuticals, Medical Products and Medical Equipment of the Agency for the Development of the Pharmaceutical Industry within 15 days upon receiving the relevant application. The Center examines the application and all additional documents and makes a record of recognition in a special state register. This record confirms the registration and indicates the permission of the Ministry of Health to use the product for the period of 5 years. Upon the expiration of this period and upon receiving a new application from the applicant, the results of the recognition may be included in the register indefinitely. A state fee of 50 times the minimum month wage (app. USD 1,230) is charged for applying for the recognition.

*Resolution of the Cabinet of Ministers No. 862 of October 24, 2018.*

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