

LEGAL NEWSLETTER FOR SEPTEMBER 2018

Dear Clients and Partners,

After extensive preparatory work, we are pleased to announce our new monthly email newsletter to reflect the most recent changes in Uzbek law and to guide you through the continually transforming Uzbek legal environment.

We aim to address the most significant shifts in the regulatory regime by providing a brief cover of monthly developments across a wide range of practices, including banking and finance, competition, corporate matters, foreign investment, project finance and sector-specific policies.

Please do not hesitate to contact us if you would like to get deeper insight into the changes described in the newsletter. We also will be glad to receive any suggestions, feedback or comments.

We would like to take this opportunity to thank you for your co-operation with our law firm and to express the hope that our modest contribution will help the development of your business in Central Asia.

1 FREE ECONOMIC ZONE IN NAMANGAN REGION

A new FEZ has been established in the Chust district of the Namangan region for creating modern production facilities in the agriculture, construction materials, food, machine-building and textile industries. The FEZ has been created for 30 years with the possibility of extension. Investors will get tax, customs and foreign exchange benefits.

Presidential Decree No. UP-5517 of August 20, 2018

2 CRYPTOCURRENCY EXCHANGE IN UZBEKISTAN

The Uzbek government has approved the legislation for establishing crypto exchanges – electronic trading platforms for the purchase and sale of crypto assets.

Only foreign entities are allowed to engage in this activity by establishing subsidiaries in Uzbekistan. The relevant license has to be obtained from the National Agency for Project Management. The main licensing requirements to the subsidiary are a functioning electronic system for crypto-exchange trading hosted on servers located in Uzbekistan and the charter capital of 30,000 times the minimum monthly wage (approx. 688,000 USD) with 20,000 times the minimum monthly wage of this amount being reserved on a special account in an Uzbek bank.

Exchange operations with crypto assets and income from such operations are exempted from taxation and are not subject to the foreign exchange legislation.

Presidential Resolution No. PP-3926 of September 2, 2018

3 PENALTIES FOR NON-USE OF INDUSTRIAL FACILITIES

Starting from September 15, 2018, legal entities owning unused production facilities will be taxed under the common taxation scheme instead of the simplified one with higher tax rates being applied. Besides, such entities will not be able to claim tax benefits.

To ensure compliance, the State Tax Committee has created specialized working groups that would identify unused industrial objects. A particular industrial object is qualified as unused if 50% of its area is not used in the production of goods, works or services.

Presidential Resolution No. PP-3928 of September 4, 2018

4 PUBLIC-PRIVATE PARTNERSHIP IN EDUCATION

New forms of public-private partnership have been offered for stimulating the private education sector.

The Ministry of Education is now entitled to temporarily (for up to 30 years) transfer to private entities its unused property, including land plots and real estate e.g. school buildings, for the purpose of establishing educational institutions.

Presidential Resolution No. PP-3931 of September 5, 2018

5 ADDITIONAL REPORTING FOR SUBSOIL USERS

In accordance with the recent Resolution of Cabinet of Ministers No. 720, all subsoil users are now required to submit annual mine survey reports on extracted mineral resources to the Territorial Inspectorates for the Control over Mining and Geological Activities.

This year, such reports must be submitted before December 15, 2018, while starting from January 1, 2019, – until March 1, following the relevant reporting year.

The Inspectorates and the State Tax Committee are empowered to check the accuracy of the information provided in the report no more than twice a year.

Resolution of the Cabinet of Ministers No. 720 of September 10, 2018

6 NEW STATE BODIES FOR SUPPORTING ENTREPRENEURSHIP

Special Commissions for the Development of Entrepreneurship and Regional Entrepreneurship Support and Development Groups have been created for supporting private businesses.

The bodies will assist in getting state financial support, privatization, complying with regulatory requirements. Promising private projects will be identified and advertised on these bodies' online platforms for attracting potential investors.

Presidential Resolution No. PP-3939 of September 11, 2018

7 REFINANCING RATE

On September 25, 2018, the Central Bank of Uzbekistan increased the refinancing rate to 16%.

8 REFORMS IN SPHERE OF FINANCIAL AUDIT SERVICES

From January 1, 2019, a number of new rules will be introduced for financial audit firms, including:

- A single universal license will be issued to audit firms instead of 3 different types of licenses that are currently issued;
- the minimum capital requirement for audit firms is abolished (currently, the minimum capital requirement varies from 1,500 to 5,000 times the minimum monthly wage);
- each audit firm must now employ at least 4 full-time auditors (currently, this number varies from 2 to 6 full-time auditors);
- the mandatory attestation for managers of audit firms has been abolished, while external quality control from the Ministry of Justice has been introduced (the Ministry may make control checks once every 3 years);
- special auditor's certificates will now be issued for the term from 5 years to an unlimited period, depending on qualification and work experience of applicants;

- financial audit will only be conducted based on the International Standards on Auditing of the International Federation of Accountants.

The new rules also require all audit firms to renew their licenses by January 1, 2019.

Presidential Resolution No. PP-3946 of September 19, 2018

9 PRELIMINARY DECLARATION OF IMPORTED GOODS

The Cabinet of Ministers has approved the procedure for preliminary declaration of goods imported by rail and air. According to the new rules, two hours before the arrival of a railway or air transport to the customs territory of Uzbekistan, an importer must provide the customs authority with all required customs information through a special electronic system of the State Customs Committee.

Resolution of the Cabinet of Ministers No. 762 of September 25, 2018

10 REGISTRATION OF MEDICINES

Results of the registration of medicines in twenty countries (including France, Germany, Japan, the United Kingdom and the United States) and by the European Medicines Agency (EMA) are now accepted in Uzbekistan for the simplified registration within 10 days.

Further, starting from November 1, 2018, the practice of issuing medicine registration certificates will be abolished with extracts from the state register of medicines being provided at the request of applicants as confirmation of the registration.

Presidential Resolution No. PP-3948 of September 24, 2018

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