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## LEGAL NEWSLETTER FOR APRIL 2019

Dear Clients and Partners,

We are pleased to offer this newsletter for April 2019. Some major initiatives were announced by the government in April, including large-scale privatization initiatives, revision of the Civil Code, further simplification of procedures for the state registration of real property, improvement of regulations on public-private partnership both generally and in specific industries. Some less significant changes affected wastes management, the chemical industry, the extraction of non-metallic mineral reserves.

Taking the opportunity, we are also glad to share the splendid news that this year Kosta Legal was again [recognized](#) as one of the best tier-1 law firms in Uzbekistan, “[providing] hands-on experience” and uniting “some of the most professional lawyers in the country” by The Legal 500 international ranking directory. Firm’s professional expertise in dispute resolution, construction, financial transactions and pharmaceuticals are particularly praised.

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### Uzbek Government Launches Large-Scale Privatization Program

A large-scale privatization program has been initiated by the adoption of presidential decree according to which, the State wants to proceed with the privatization by transferring the ownership over a wide range of public entities to the private sector. [Read more](#)



### Uzbekistan to adopt the Law on Personal Data

The draft Law “On Personal Data” is actively discussed in the Parliament. The Law shall alter how businesses and public sector organizations can handle the information of their



control over their personal information. [Read More](#)

## 1. AMENDMENTS TO THE LAND CODE

Some amendments have been made to the Land Code. The period, after the expiration of which rights to non-used land plots allotted for non-agricultural purposes terminate, has been reduced from 3 years to 2 years. Relevant decisions are taken by local municipalities or the Cabinet of Ministers. Such decisions may be challenged in court.

Yet another change is the shortening of the period, after the expiration of which a particular construction is recognized as being an “incomplete construction object”. Hence, all commenced construction works should be completed within 2 years, if project documents do not provide for another term. If the construction has not been completed, the relevant object is categorized as “unfinished” and tax sanctions may be applied to its owner (e.g. an increase of the land tax).

The amendments will enter in force on July 6, 2019.

*Law No. ZRU - 533 of April 4, 2019*

## 2. THE STATE REGISTRATION OF REAL PROPERTY RIGHTS

The procedure for the state registration of rights to real property will be simplified. Public notaries, real estate companies (acting in respect of non-residential property), commercial banks and the Agency for the State Property Management (in respect of state property traded at E-IJRO AUKSION) will get access to the State Register of Rights to Real Property, being able to input information about real property transactions into the Registry and to provide legal entities and individuals with extracts from the Registry. By 2020, the abovementioned parties will begin to exchange information with the state cadastral service by using information communication technologies, eliminating the need for legal entities and individuals to apply to the cadastral service on their own after closing a real property transaction.

Further, disputes on the state registration of rights to real property will now be considered by special local commissions under local cadastral services that is a new method for alternative resolution of relevant disputes. Relevant applications will be considered free of charge within 10 days after the submission. Decisions of committees can be appealed. Claims that have already been considered in court will, however, not be accepted.

*Presidential Decree No. PP 4270 of April 5, 2019*

*and Cadastre No. 3156 of April 22, 2019*

### 3. REVISION OF THE CIVIL CODE

The government has declared its intention to draft a revised version of the Civil Code by April 1, 2020, to streamline and to fill in numerous gaps in the Uzbek civil legislation. In particular, a number of legal forms for legal entities are going to be abolished (including, for example, the forms of a “private enterprise” and a “state unitary enterprise”). Some previously not covered types of contracts will be defined by the Civil Code, including public-private partnership agreements and dealership agreements as well as contracts of participation in shared construction, on cluster production, e-commerce, trading in crypto currencies, and privatization of land. Some issues related to efficient corporate governance will also be addressed, including, for example, fiduciary duties of directors.

*Presidential Decree No. P – 5464 of April 5, 2019*

### 4. SIMPLIFICATION OF PROCEDURES IN INTERNATIONAL TRADE

New formalization options will open up for businesses engaged in international trade with the introduction of a new customs information system based on the one stop shop principle. These options will include secure online exchange of trading documentation, remote monitoring of the progress in issuing special permits by customs and other state authorities, obtaining permits before actual arrival of goods in Uzbekistan based on preliminary information exchange and access to up-to-date data on the epizootic, quarantine and phytosanitary situation in Uzbekistan and foreign countries. The system is expected to be launched before January 1, 2021.

Companies are no longer required to submit consignment documents multiple times while importing/exporting or getting customs permits. All involved state authorities will be able to receive all required information by linking their databases to the customs information system. Further, a number of permits have been cancelled, whereas issuance terms for some permits have been reduced.

*Presidential Decree No. PP – 4297 of April 23, 2019*

### 5. PRE-TRIAL SETTLEMENT OF TAX DISPUTES

Rules for filing an appeal to the Council for Pre-Trial Settlement of Tax Disputes between Taxpayers and the State Tax Authorities under the Ministry of Finance have been approved. A taxpayer may refer to the Council if he wants to challenge a decision of the Department of Pre-Trial Settlement of Tax Disputes under the State Tax Committee. An application and the relevant decision of the Department have to be submitted for initiating the procedure at the Council. The Council must come up with its opinion on the dispute within 1 (one) day after receipt of these documents. Such an opinion, however, is not legally binding.

*Resolution of the Ministry of Finance and the State Tax Committee No. 3150 of April 12, 2019*

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An initial (IPO) and secondary (SPO) public offering programme has been approved by the government for a number of state owned enterprises, including JSC Uzbek Republican Commodity Exchange and several commercial banks, shares of which will be listed at the Republican Stock Exchange. Minority interests in selected SOEs will be offered with the government retaining control over majority stakes. Moreover, the limitation is set, whereby one individual/legal entity may purchase only 0.01 % of offered shares.

*Resolution of the Cabinet of Ministers No. 358 of April 26, 2019*

*Presidential Decree No. PP-4300 of April 29, 2019*

## **7. PURCHASE OF SHARES OF BANKS BY FOREIGNERS**

On April 24, 2019, a draft Resolution of the Cabinet of Ministers simplifying the procedure for purchasing shares of banks by foreigners has been published for public discussion. Currently, foreigners are required to obtain a prior permit from the Central Bank to acquire such shares. The Resolution will allow foreigners to buy up to 5% of shares of banks without obtaining such a permit. It will be sufficient to submit to the Central Bank a notification based on a standard form attached to the Resolution.

## **8. PRIVATIZATION IN THE CHEMICAL INDUSTRY**

A number of state shares in country's largest state-owned enterprises in the chemical industry, including the state-owned holding company JSC Uzkhimiyosanoat are going to be sold to private investors. The majority of shares will be sold via holding direct negotiations with potential purchasers. Other privatization methods, including the conduction of tender trades and IPO (including, for example, for JSC Zhizzakh Plastics) will be used.

The Programme for the Development of the Chemical Industry for 2019-2030 has also been approved. It envisages the implementation of 31 investment projects for the amount of about USD 12.1 bln, USD 1.7 bln of which are expected to be attracted in the form of foreign direct investment and loans.

*Presidential Decree No. PP - 4265 of April 3, 2019*

## **9. PUBLIC-PRIVATE PARTNERSHIP IN HEALTHCARE**

The Regulations on PPP in Healthcare have been adopted. Project agreements in the sphere may relate to either providing services related to healthcare infrastructure (the design, construction, reconstruction, creation, equipping, modernization, financing, operation of healthcare facilities) or the provision of related healthcare goods and services. The term of a PPP agreement cannot be less than 3 years or exceed 49 years. Private partners may be selected on a tender basis or after direct negotiations. Investors in PPP projects are eligible to get preferential loans from the Fund for Reconstruction and Development for purchasing modern foreign medical equipment. All state assets transferred to private investors in PPP projects must be returned to the state upon the completion of respective projects.

Private investors may initiate a PPP project in the sphere by applying to the

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*Presidential Decree No. PP – 4290 of April 16, 2019***10. LICENIZING OF THE EXTRACTION OF NON-METALLIC MINERAL RESERVES**

The Regulations on the Licensing of the Extraction of Non-Metallic Mineral Reserves have been amended. Now, fulfillment of investment commitments is an essential licence term. Moreover, relevant rules for the allotment of land have been clarified – land for the extraction purposes is allotted by local municipalities without carrying out tender bidding within the period not exceeding 10 (ten) days from the date of application for the term equal to that of the extraction license. It is further provided that if a licensee fails to satisfy minimum extraction requirements for 2 years in a row (owing to some reasons other than force majeure), the license may be revoked.

*Resolution of the Cabinet of Ministers No. 294 of April 9, 2019*

**11. NEW RULES FOR WHOLESALERS OF ALCOHOL AND THE FUND OF WINEMAKERS**

The Regulations on the Fund for Supporting Winegrowers and Winemakers under the Agency for Development of Winegrowing and Winemaking have been adopted. Rules for the functioning of the Fund, including rules for financing companies in the industry, have been defined. It has been set among other things that alcohol wholesalers are now required to make monthly contributions to the Fund at the rate of 5% of the net revenue. The failure to make a timely contribution may result in the imposition of a fine in the amount of up to 0.01% of the outstanding sum for each day of the delay.

*Resolution of the Cabinet of Ministers No. 271 of March 30, 2019*

**12. NEW APPROACHES TO THE TREATMENT OF SOLID WASTES**

The President has approved the Strategy for the Treatment of Solid Wastes for 2019 – 2028. The relevant legislation is going to be revised based on the "polluters pay" principle as well as for the promotion of recycling. It is envisaged by the Strategy that a greater share of the population should get access to relevant services, more processing facilities should be created, solid wastes may be used as efficient energy sources. The government is determined to implement a number of PPP projects in the field. Thus, for example, the project "Wastes-to-Energy" with the participation of the Korean company "Sejin G&E Co. Ltd" has already been initiated.

With the development of new regulations on the subject, activities having a direct adverse impact on the natural environment will be subjected to special charges, including, potentially, an emission tax.

*Presidential Decree No. 4291 of April 17, 2019*

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