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## LEGAL NEWSLETTER FOR MARCH 2019

Dear Clients and Partners,

We are pleased to offer this legal update for March 2019. In March, the Uzbek government continued its efforts to shape the Uzbek commercial legislation for improving the country's business environment. A specialised state commission was established under the Ministry of Finance to monitor the performance of Uzbekistan in various international rankings. A significant reform of the month is the unbundling in the power industry, having been long advocated by the EBRD and government's foreign advisors.

### Important aspects of project finance in Uzbekistan

Uzbek law does not prohibit or limit receipt of foreign funds from abroad, but remains to be underdeveloped in many transactional aspects. This is even more so in case of project finance deals, where more sophisticated financial mechanisms and collaterals are used. [Read more](#)



### The privatization reforms ending state monopoly in alcohol industry

In pursuit of the goals set out in the State Program 2019, the President of Uzbekistan issued the Decree on the improvement of state regulation of the alcohol and tobacco industries, which introduced the overhaul of the management system and determined particular prospective legislative changes to be made by 2020. [Read more](#)

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The President has signed a new law on improving the country's business environment. Among other things, the following legal requirements have been abolished: (i) mandatory requirement for companies to have a seal; (ii) for joint stock companies – to have minimum 15% foreign shareholding; (iii) for LLCs and JSCs – the requirement for the minimum charter capital (except for cases where the minimal charter capital is set as one of the licensing requirements).

In addition, the simplified procedural rules for insignificant economic disputes are introduced. In case of the simplified procedure the relevant claim, the amount of which does not exceed 20 times the minimum monthly wages (approximately USD 478) for legal entities and 5 times the minimum monthly wage (approximately USD 120) for individual entrepreneurs, is considered without calling the parties to the court within 20 calendar days.

Further, (i) the deadline of 60 days for paying dividends in LLCs is set; (ii) it is clarified that agreements on deals in non-residential real estate do not have to be notarized.

*Law No. ZRU-531 of March 20, 2019*

## 2. SIMPLIFICATION OF THE REPATRIATION OF PROFITS

Some technical restrictions that hindered foreign investors to repatriate profits have been abolished. Now foreign companies that have created a permanent establishment in Uzbekistan are able to transfer dividends and other income from their investment activities to their bank accounts in foreign and national currencies in Uzbekistan and then, direct this income to their accounts outside the country.

Moreover, non-resident legal entities that buy and sell shares of public companies at organized public trades may now open bank accounts in national and foreign currencies in Uzbekistan and accumulate their income from these activities.

*Resolutions of the Board of the Central Bank No. 511-12 and No. 510-5 of March 25, 2019*

## 3. NEW RULES FOR EMPLOYING FOREIGN INDIVIDUALS

On March 25, 2019, new rules for attracting foreign employees were adopted by the Cabinet of Ministers.

Now, for obtaining the license for attracting foreign employees and relevant work permits, companies have to apply to the Centers for State Services. The license is issued for a period of 1 year for a fixed number of foreign individuals specified in the relevant application. The state fee for issuing the license has increased from 10 times the minimum monthly wage (approximately, USD 240) to 50 times the minimum monthly wage (approximately, USD 1,200).

Individual work permits are also issued for 1 year and the state fees for the issuance of individual work permits varies depending on the qualification of the individuals.

#### 4. IMPROVEMENT OF ENFORCEMENT PROCEEDINGS

Starting from April 1, 2019, the mechanism of mediation will be incorporated into the Uzbek rules for enforcement proceedings. While mediation is ongoing, enforcement proceedings may be suspended for up to 15 days.

Further, starting from June 1, 2019, state enforcement authorities will be taking the decision on initiating enforcement proceedings within 1 day instead of 3.

Starting from October 1, 2019, a unified electronic database of enforcement documents will also be created.

The above changes will be reflected in the draft of the new Code for Enforcement Procedures that is expected to be prepared until July 2019.

*Presidential Resolution No. PP-4236 of March 12, 2019*

#### 5. CHANGES IN THE RULES FOR TRANSPORTING GOODS AND PASSENGERS

A new Presidential Resolution softens the licensing requirements for companies engaged in goods and passenger transportation and cancels the compulsory certification for transport and forwarding services as well as for imported EU-produced Euro-5 and Euro-6 freight and special motor vehicles, trailers and semi-trailers used for carrying goods by road.

The Resolution also exempts some types of goods (freight containers, aviation fuel, railway cars, locomotives, etc.) from customs duties till January 1, 2022.

*Presidential Resolution No. PP-4230 of March 6, 2019*

#### 6. THE REFORMING OF THE POWER INDUSTRY

The state-owned company JSC Uzbekenergo that has regulatory functions in the power industry is reorganized. The following public companies are created on its basis:

1. JSC Thermal Power Plants, managing thermal power plants and power stations;
2. JSC National Electrical Grids of Uzbekistan, operating trunk grids, purchasing power energy from generating enterprises and selling it to local networks, carrying out operative dispatch management;
3. JSC Regional Electrical Networks, managing local networks and selling power energy to end-users.

Non-core enterprises of JSC Uzbekenergo engaged in ancillary activities will be transferred to the State Agency for Managing State Property and subsequently privatized. Newly formed JSC Uzenergoengineering will engage in planning and designing power networks. The Ministry of Energy will, in turn, be engaged in assessing the construction of objects with high energy consumption.

*Presidential Resolution No. PP-4249 of March 27, 2019*

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