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LEGAL NEWSLETTER FOR OCTOBER 2019

Dear Clients and Partners,

In October 2019, legal changes of varying significance affected the following business-related activities within Uzbekistan: foreign trade and trading through commodity exchanges, the visa rules for foreign investors, foreign currency regulation and employment relations. Some notable industrial initiatives were declared in agriculture and the coal industry.

One of the notable legal developments of October includes the adoption of the Law on Currency Regulation in its new version. The review with the highlights of the important changes is available at the link provided below.

With the start of the cotton harvesting season, the government focused its attention on problems of the agriculture sector in particular. A strategy for the development of the sector was adopted with many changes being envisaged, including greater liberalization of this mainly state-controlled industry. A series of interdepartmental meetings within the government were dedicated to the development of the sector and cooperation with foreign financial institutions, e.g. the Asian Development Bank.

UZBEKISTAN TO INTRODUCE NEW CURRENCY CONTROL RULES

The President has signed the *Law On Currency Regulation No. ZRU-573 of October 22, 2019*, which is effective since its date of publication - 23 October 2019. An unofficial translation of the Law is available in English at the following link: <https://kostalegal.com/.../law-of-the-republic-of-uzbekistan-...>

The discussion provided envisages the Law review by focusing on, in our view, the most significant alterations made to the old version of the Law. [Read more](#)



1. UPDATED TAX RATES AND CUSTOM TARIFFS

Following the adoption of a Presidential Decree on the customs and tariff regulation, [rates of the excise tax](#) and [import customs duties](#) have been updated. The updated rates will become effective starting from January 2020.

Some changes related to the excise tax envisage (i) imposing the excise tax on imported raw sugar at the rate of 20%; (ii) increasing the tax on imported water, ice and snow; (iii) abolishing preferential rates for cars that are no more than 2 years old and worth USD 40,000 or more.

The changes in respect of import custom duties are more extensive and have affected about 570 items. The rates for some goods have been increased and some new goods have become subject to customs duties. To get more details on this, please follow the hyperlinks above.

[*Presidential Decree No. PP – 4470 of October 2, 2019*](#)

2. STATE CONTROL OVER EXPORT-IMPORT OPERATIONS

Following the adoption of a Presidential Decree on the customs and tariff regulation, [rates of the excise tax](#) Amendments have been introduced to the *Regulation on the Foreign Currency Control over Export and Import Operations*. Some rules for the imposition of fines on local businesses for delays in performing contractual obligations under export-import contracts have changed. Based on the new rules, entrepreneurs may get the opportunity to avoid payment of relevant fines or to get a refund of paid fines in case if contractual obligations have been performed (i) at the time of consideration of the imposition of a fine by the court or before the relevant court decision on the fine is executed – it may be possible to avoid payment of the fine, (ii) within 90 days after the fine has been paid – to get a refund of the paid amount.

[*Presidential Decree No. UP - 5856 of October 24, 2019*](#)

3. LEGAL PROTECTION OF CREDITORS

The President has signed a document introducing some changes to the laws governing the availability of security instruments to ensure the performance of an obligation in various cases, including lending transactions and bankruptcy proceedings.

As it has been previously established, those creditors who have made an entry

the basis for establishing priorities and pre-emptive rights of the creditor over other creditors and third parties in case the security is enforced.

Furthermore, it is envisaged that an asset may be repledged given that the corresponding entries are made to the SPR. It has also been stipulated that the first collateral agreement may provide for terms for concluding subsequent agreements.

[Law No. ZRU – 572 of October 22, 2019](#)

4. ELECTRONIC SYSTEMS IN EMPLOYMENT RELATIONS

Starting from January 2020, the electronic system “*Single National Labor System*” (SNLS) for administering employment relationships will be launched. All employers will have to (i) register employment contracts, amendments to them and their termination, (ii) keep a record of employees’ professional experience in the SNLS. It is envisaged that fines for the failure to register and to make records will be introduced.

The SNLS is focused on creating an integrated electronic database of labor contracts, employment records, salary arrangements, pension schemes and the other key details related to one’s employment. It will be required to record all the key facts related to employment relations by the registration of relevant electronic employment documents. The entry into e-contracts will become mandatory for all new employment relations that will begin after 1 January 2020. All existing labor contracts will have to be recorded in the SNLS by September 2020.

The corresponding regulations for the registration procedures are to be adopted by the Cabinet of Ministers.

[Presidential Decree No. PP - 4502 of October 31, 2019](#)

5. INVESTMENT VISA AND RESIDENCE PERMIT

In the previous month’s newsletter, we mentioned that certain foreigners got the right to apply for the so-called investment visa. A subordinate legal act of this month has set up procedures for obtaining this visa. It has been provided that eligible foreigners are entitled to apply for investment visas while staying both abroad or in Uzbekistan. The legal act also contains some rules for obtaining the residence permit for holders of investment visas (if an investment of no less than USD 3 mln has been made), introducing procedural changes for the corresponding [Regulation](#).

For obtaining the visa from abroad, an applicant must submit the following documents through an Uzbek company whose shares he owns (as a result of making an equity investment) to Uzbekistan’s local consulates: (i) a standard form application filled in by the applicant along with an application filled by the local company, (ii) a copy of the applicant’s passport, (iii) a document confirming that investment requirements have been satisfied, issued by either the Central Securities Depository or the Agency for State Services, depending on the type of the local company whose shares have been acquired.

If an applicant applies from Uzbekistan, all corresponding actions are

affairs authorities. It is important that issued visas may be revoked if the initial investor's shareholding in an Uzbek company has decreased.

[Resolution of the Cabinet of Ministers No. 864 of October 11, 2019](#)

6. STAY AND MOVEMENT OF FOREIGNERS

On 21 October 2019, the Resolution of the Cabinet of Ministers has been signed to amend, among other things, particular legislative acts regulating stay and movement of foreigners. In that regard, the List of non-electronic visa categories and the List of countries, foreign nationals of which enjoy visa-free regime, have been updated and made accessible from [one place](#). As regards changes to the Lists, the visa-free regime that applies limited time period has been extended to more countries. Number of positions in this List (i.e. 66-86) shall be effective as of January 2020. The List of non-electronic visas has been updated to incorporate all new categories introduced during the last 6 months.

[Resolution of the Cabinet of Ministers No. 885 of October 21, 2019](#)

7. NEW RULES RELATED TO COMMODITY AND RAW

MATERIALS EXCHANGES

On October 8, 2019, the President signed a Decree aimed at improvement of the competition environment and the development of the commodity exchange market through, among other things, providing for some new rules that shall be effective as of January 2020, including: (i) some categories of goods e.g. sugar, some goods produced by state-owned enterprises and monopolies (for example, heating oil, liquefied gas and oil bitumen), etc. shall be added to the list of the goods that have to be traded through commodity exchanges only; (ii) import transactions on commodity exchanges shall be allowed to be performed in foreign currency. In doing so, the equal access of all consumers' categories shall be ensured. In other words, now everybody will be granted with the right to sign direct contracts with the manufacturers of the listed outputs.

Additionally, it has been established that the currency choice in the course of import transactions within exchange market is at discretion of the parties given that corresponding contracts are registered.

The Antimonopoly Committee has additional powers related to this, including the right to resolve for some goods to be traded through commodity exchanges only (upon consulting with the Cabinet of Ministers) and the power to request some trading lots to be changed to ensure greater competition.

[Presidential Decree No. PP – 4484 of October 8, 2019](#)

8. IMPROVEMENT OF GOVERNANCE IN COAL MINING INDUSTRY

On March 2019, the President adopted a Decree that envisages a transfer of management over the state's share in JSC "Uzbekugol" (the largest coal mining enterprise in Uzbekistan, being a state-controlled holding company) to private investors. Later, it was determined that "ProgressGorTex" Ltd (Russia) will be appointed as a trust manager of the 45% share in the "Uzbekugol's" authorized

remains active with the position for a private company – manager of the 45% share being vacant.

[Presidential Decree No. PP – 4497 of October 24, 2019](#)

9. DEVELOPMENTS IN THE AGRICULTURAL SECTOR

The *Strategy for Agricultural Development for 2020-2030* and the relevant *Action Plan* have been adopted. Some of the steps envisaged by the documents include reduction of the role of the state in the sector with lesser direct interventions being made (i.e. decisions on seeding particular cultures), wider application of modern agricultural technologies, including water saving ones, achievement of a wide array of environmental objectives, including greater forestation.

[Presidential Decree No. UP – 5853 of October 23, 2019](#)

To ensure that we are addressing the topics that are most important to you, we would welcome your feedback and suggestions.

Have a good day!

Sincerely,
Kosta Legal Law Firm

Feedback



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