

CORONAVIRUS COVID-19: Uzbekistan's response (part 2)

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DOCUMENT INTENDED TO PROVIDE AN OVERVIEW OF THE CURRENT SITUATION
IN UZBEKISTAN RATHER THAN SPECIFIC CLIENT ADVICE

Executive summary

To date, in Uzbekistan, COVID-19 remains to be the leading topic on the state's agenda.

Since 23 March 2020, the State has resolved to enforce measures concerning the following:

- ▶ Enforcement of force majeure clause
- ▶ Export-import
- ▶ Business support
- ▶ Labor relations

Enforcement of force majeure clause

- ▶ Following its mandate, the Ministry of Investment has officially announced that the Government resolved to put the local business into “force majeure” mode as soon as all or certain contractual obligations cannot be fulfilled in the view of pandemic outbreak. All the necessary contact details required to be able to obtain a force majeure certificate have been provided within the announcement.
- ▶ The Ministry has clearly stated that a *lack of market supply* may not serve as a ground to enforce the force majeure clause (if such a ground is not explicitly provided in a contract).

Enforcement of force majeure clause (note on local regulation rules)

- ▶ As Uzbek Laws does not provide for the list of specific force majeure cases, the authorities will issue the certificates using case-by-case analysis. However, even if the consequences of the epidemic will be directly related to contractual obligations and not allowing them to be fully implemented, the analysis will be confined to the following definition of a force majeure:

“force majeure is defined as extraordinary, unavoidable and unforeseen circumstances caused by natural disasters or socio-economic circumstances (like war, blockades, bans on imports and exports in the public interest, etc.) that do not depend on the will and actions of the parties that have occurred on the territory of the Republic, in connection with which they cannot fulfill their obligations under foreign trade transactions and international agreements” ([Resolution of the Cabinet of Ministers No. 63 of February 15, 2005](#))

- ▶ Under Uzbek Laws, force majeure events exempt an affected party from liabilities for non-performance (undue performance) of its contractual obligations during the period of force majeure event. The presence of force majeure event does not lead to the termination or amendment of the contract, unless otherwise is agreed by the parties.

Export – import

- ▶ Even though international air and rail services to all countries are suspended and the quarantine measures are becoming more stricter, the carriage of goods (cargo services) remains unrestricted. The goods are passing through customs clearance in the usual manner.
- ▶ Until 31 December 2020, no custom duties and excise tax will be charged while importing 20 types of goods (population's basic necessities) specified [here](#).

Business support

- ▶ On 3 March 2020, the President has signed the [Presidential Decree No. UP-5978](#) that aimed at supporting local business entities. The pack of measures introduced by the Decree is summarized below.
- ▶ 1 April 2020 – 31 December 2020 - entrepreneurs engaged in the tourism and hospitality activities are exempt from paying land and property taxes. Further, for them, the social tax rate is reduced from current 12% to 1%.
- ▶ Until 1 October 2020, enterprises that have faced financial difficulties due to restrictive measures introduced to counter the spread of the coronavirus infection will not have to initiate bankruptcy procedures.
- ▶ It is allowed to hold annual General Meetings of shareholders to sum up 2019 until 1 October 2020 and via videoconferencing.
- ▶ The procedure for applying increased rates of property tax and land tax to unused production areas and non-residential structures is suspended.

Business support (cont.)

- ▶ Small business entities whose revenue has decreased by 50% compared to the previous month are granted with the right to defer payment of turnover taxes, land tax, property tax, social and water taxes until 1 October 2020. Such entrepreneurs are allowed to notify the tax authority about the use of this benefit electronically.
- ▶ The deadline for conducting an audit of 2019 of business entities subject to mandatory audit is extended until 1 October 2020.
- ▶ The accrual and collection of lease payments for the use of state property by business entities that have been forced to suspend their activities for the period of quarantine measures is suspended.
- ▶ Until the end of 2020, when providing a loan (financial assistance) without obligations to pay interest income to the lender, the income determined for tax purposes based on the refinancing rate (the basic rate) will not be subject to taxation.

Business support (cont.)

- ▶ 1 April 2020 - taxpayers will apply the value-added tax benefits without the requirement to direct the funds released from taxation for certain purposes.
- ▶ The Agency for State Assets Management is currently providing consultation and aid in resolving the issues of the lease of state property, fulfillment of investment obligations or payment for purchased state assets, as well as in the bankruptcy issues (at single number 1082).

Labor relations

- ▶ The expected Regulations on the temporary procedure for transferring employees to remote work, flexible timetable work or work at home during the period of quarantine measures has been approved.
- ▶ As per the Regulations, an employer may propose to an employee to work remotely and, if agreed, must (i) execute a corresponding order, (ii) execute a supplementary agreement to an existing employment agreement, (iii) ensure that the employee has all necessary equipment to perform his/her duties. By selecting this option, an employer reserves the right to return the employee to regular conditions if a work requires. The salary and all basic labor rights shall be maintained unchanged.
- ▶ Furthermore, if an employee has a child under 12, he/she has the right to take an annual leave ahead of schedule based on the recently adopted Regulation on the procedure for granting annual labor leave to parents of primary school pupils and kids in kindergartens in the quarantine period. In such a case, an employer has no right to return the employee/ask to perform certain duties before the leave ends. The salary and all basic labor rights shall be maintained unchanged (the salary is paid only for a certain period – number of days intended for “leave with pay”).