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# Regulatory developments in the legislation of the Republic of Uzbekistan

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Since July 1, 2019, changes came into force that will affect customs regulation, licensing, public procurement, investor relations, corruption risk assessment and many different sectors.

### **Purchase from defaulter cannot be credited VAT**

Buyers of goods (works, services) are not entitled to include VAT in offset if the supplier is not a payer of this tax. Information on taxpayer registration with tax authorities as VAT payers can be obtained on the STC website.

### **“One-stop-shop” is opened for investors**

Investors will receive a full range of services on the principle of "one-stop-shop". This is about all sorts of assistance in the conclusion of investment contracts, including advice and legal support.

### **The new rules of bankruptcy**

New rules for declaring a debtor bankrupt come into force.

- ▶ If the decision to collect the tax debt cannot be executed, the tax authorities will file a petition with the court to declare the debtor bankrupt within 30 days from the date of the return of the governing document.
- ▶ Reduces the minimum aggregate requirements for the debtor. Now, the reason for initiating a bankruptcy case will be 300 Minimum Wages (hereinafter – MW)[1],[2] for a legal entity and 20 MW[3] for an individual entrepreneur (including those who lost their status) – if there are signs of bankruptcy.
- ▶ The deadline for liquidation proceedings is reduced from 1 year to 9 months. In exceptional cases, it may be extended by a court decision, but not more than three months.
- ▶ If the court establishes signs of false bankruptcy, concealment of bankruptcy or deliberate bankruptcy as a result of joint actions of beneficiaries and persons related to them, all of them will be brought to subsidiary liability.

### **Public procurement: priority for local producers**

From July 1, 2019, to December 31, 2020, experiment will be conducted in which the government customer will reject import applications for the supply of medicines and medical products if it receives more than one offer from Uzbek manufacturers of such products.

In addition, from July 1, 2019:

- ▶ intentions to purchase imported goods are also exposed by government customers on the government procurement information portal to ensure the participation of national suppliers. Moreover, if there are three or more participants –

domestic producers, government purchases at the choice of the customer can be carried out among them;

- ▶ when purchasing electrical and electrical household products, including strategic public procurement entities, price preferences of up to 20% will be applied to local manufacturers;
- ▶ in the tender documentation for the construction of "turnkey" facilities or their reconstruction at the expense of the State Budget, the contractor shall procure electrical and electrical products of local enterprises.

### **To the Supervisory Board only with a certificate**

Now, in order for the head of a state body or his deputy (except for the Agency for the Management of State Assets) to enter the Supervisory Board of an enterprise with state participation, they must have a qualification certificate of a corporate manager.

### **The decree on privatization comes into force**

Legal entities-residents and citizens have the right to privatize land. However, in order for the mechanism to work fully, it is needed:

- ▶ law "On privatization of non-agricultural land", which has already been approved by the Senate, but has not yet been published;
- ▶ by-laws defining the procedure for privatization and the number of fees.

### **New methods of fighting corruption**

Mandatory assessment of corruption risks is being introduced. According to its results:

- ▶ list of spheres of activity and positions of civil servants, as well as their functions (powers), the most subject to corruption risks;
- ▶ quarterly monitoring of the execution of departmental anti-corruption programs is carried out;
- ▶ anti-corruption programs are developed annually for each agency separately.

### **Electricity: benefits and preferences**

For enterprises of the electrical industry are established:

- ▶ single term for the calculation of overdue receivables for export operations of electrical and household products of own production - 180 days from the date of the execution of the CCD;
- ▶ term for importing technological equipment into the republic for its own production needs and registering it for "release for free circulation" or returning money paid for it under import contracts is 270 days from the date of payment under the import contract.

The State Fund for the Support of Business Development compensates enterprises of the electrical industry a part of the interest on loans - up to 50% of the established interest rate, but not more than five percentage points.

In terms of production and purchase of electricity:

- ▶ industrial energy-intensive industries with a power consumption of more than 10 MW will be placed in the regions of the republic prior to the decision on their construction and allocation of land areas only in coordination with the Ministry of Energy;

- ▶ electricity from private independent producers will be purchased on a competitive basis (except for projects subject to resolutions of the Cabinet of Ministers) indicating its marginal cost.

## New fee is introduced

For issuing a preliminary agreement on mergers and acquisitions of economic entities, as well as the acquisition by a person and a group of persons of shares (shares) in the authorized capital (fund) of the economic entity, a fee of 10 MW<sup>[4]</sup> will be charged. Previously, this collection was not.

[1] Minimum Wage equals to 202 730 soums, 1 MW is approximately at the rate of the Central Bank as of July 25, 2019, is equal to USD 24.

[2] approximately at the Central Bank rate as of July 25, 2019, is equal to USD 7 052.

[3] approximately at the Central Bank rate as of July 25, 2019, is equal to USD 470.

[4] approximately at the Central Bank rate as of July 25, 2019 is equal to USD 240.

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