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Regulatory developments in the legislation of the Republic of Uzbekistan in October 2019

Law “On currency regulation” in the new edition

On 22 October, 2019, the President of Uzbekistan signed a new edition of the Law “On currency regulation”.

The new edition of the Law provides for the following:

- ▶ free disposal of residents and non-residents of their own currency in the implementation of foreign exchange transactions;
- ▶ cancellation of a number of licensing procedures in the implementation of foreign exchange transactions;
- ▶ requirement for the repatriation of assets from foreign trade operations to the Republic of Uzbekistan;
- ▶ permission to open foreign bank accounts for resident individuals without restrictions;
- ▶ permission for non-trading foreign exchange transactions between individuals in the amount equivalent to 100 million soums (approximately USD 10.500 at the rate of Central Bank of Uzbekistan as of 23 October).
- ▶ free export by individuals from Uzbekistan of cash in the amount equivalent to 100 million soums (approximately USD 10.500 at the rate of Central Bank of Uzbekistan as of 23 October).

Personal data is protected

The law “On personal data” comes into force. It prescribes the procedure for processing personal data and the relationship of participants in this process - the subject (the person to whom they relate) and the operator (state agency, individual or legal entity engaged in processing). In parallel, increased responsibility for illegal disclosure of personal data up to 3 years of imprisonment.

Senate has approved 19 laws in a day

The Senate of the Oliy Majlis of the Republic of Uzbekistan has approved 19 laws proposed for consideration on 23rd plenary session of the Senate.

Following laws has been approved by the Senate on October 11, 2019:

The Senate of the Oliy Majlis of Uzbekistan at the 23rd plenary session approved 19 laws submitted for discussion. The following is a list of laws passed by the Senate:

- ▶ “On banks and banking activities” (new edition). The Senate approved the Law of the Republic of Uzbekistan “On banks and banking activities”, according to which a number of new services supplemented the list of operations executed by banks. In particular, operations such as buying and selling precious metal coins, issuing, using and redeeming electronic money. In

order to protect the rights of creditors and depositors, the Law also establishes norms regarding activities prohibited or restricted for banks.

- ▶ “On the Central Bank of the Republic of Uzbekistan” (new edition). The main objectives of the Central Bank are determined to ensure price stability, the banking system and the functioning of payment systems (previously only security of the national currency). Besides, the Central Bank now does not provide loans or financial assistance to the Government of Uzbekistan, other state bodies and organizations, including for financing the state budget deficit. In addition, per the new law, the authorized capital of the Central Bank increases from 2 billion to 1 trillion soums. The law is also supplemented by an article on conflict of interest and measures to prevent corruption.
- ▶ “On currency regulation” (new edition). Following the Law, resident legal entities have the right to own currency values and transfer foreign currency from and to the Republic of Uzbekistan to execute transactions. Moreover, a mandatory requirement for opening and use of bank accounts by non-residents – legal entities in Uzbekistan is the implementation of activities in the territory of the Republic of Uzbekistan.
- ▶ “On payments and payment systems”. The law introduces the concept of electronic money – “unconditional and irrevocable monetary obligations of the issuer of electronic money stored in electronic form and accepted as a means of payment in the electronic money system”. Electronic money can be issued by the Central Bank and banks of Uzbekistan, but they should be nominated only in national currency. Owners of electronic money can be individuals, agents of the electronic money system and individual entrepreneurs and legal entities that have received electronic money as payment for transactions. As payment for goods, work and services in Uzbekistan, only electronic money issued here can be accepted.

Moreover, the Listed laws will enter into force after its signature by the President and publication in the prescribed manner.

- ▶ “On Science and Scientific Activities”;
- ▶ “On Supporting of Breastfeeding and Food Requirements for Infants and Young Children”;
- ▶ “On the Patronage”;
- ▶ “On the Defense (Amended Law)”;
- ▶ “On Management of Apartment blocks”;
- ▶ “On the establishment of “Do’stlik” Order of the highest degree”;
- ▶ “On the establishment of the Day of the Information and Library Workers of the Republic of Uzbekistan”;
- ▶ “On amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the strengthening of legal protection of creditors and improvement of mechanisms for financing entrepreneurial activity”;
- ▶ “On amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the advancement of selected state body activities”;
- ▶ “On amendments and additions to some legislative acts of the Republic of Uzbekistan in connection with the advancement of activities that National Guard of the Republic of Uzbekistan deal with”;
- ▶ “On amendments to some legislative acts of the Republic of Uzbekistan in connection with the liberalization of the responsibility of foreign citizens and stateless persons for violations of the rules of temporary stay in the Republic of Uzbekistan”;
- ▶ “On amendments and additions to the Administrative Responsibility Code of the Republic of Uzbekistan in connection with

the improvement of customs administration”;

- ▶ “On amendments and additions to some legislative acts of the Republic of Uzbekistan”;
- ▶ “On ratification of the Convention on the Protection and Promotion of the Diversity of Cultural Expressions (Paris, October 20, 2005)”;
- ▶ “On accession of Uzbekistan to the Cartagena Protocol on Biosafety to the Convention on Biological Diversity (Montreal, January 29, 2000)”.

Four airports "open up" the sky

"Open skies" mode is introduced at the international airports "Karshi", "Nukus", "Termez" and "Bukhara". In the first three, according to international legal norms, the "fifth freedom of air" is applied. This right allows air carriers to make intermediate stops, performing long-haul flights, unload and take on Board passengers, mail and cargo. And in Bukhara, the "fifth freedom of air" applies only to foreign citizens. At the listed airports runways, taxiways, command and control centres, air navigation equipment and fixed ground communication nodes are being reconstructed.

New electronic systems launch

In Uzbekistan, several state organizations launch electronic systems:

- ▶ The information system “Control and monitoring of the implementation of investment projects” is put into operation, which will allow monitoring the process of implementation of projects included in the Republican and regional investment programs.
- ▶ The Bureau of enforcement will begin to maintain a Single electronic database of enforcement documents. It will consist of all incoming Executive documents and information on imposed and collected administrative fines. And on the official website of the Bureau, it will be possible to monitor the progress of Executive actions.
- ▶ The program complex “labour-migration” is being implemented. With its help, potential migrant workers can get all the necessary information and micro-loans to pay for the costs associated with employment abroad.
- ▶ A pilot project is starting in the Syrdarya region. Within its framework, social benefits will be assigned, and material assistance to low-income families will be through the information system “Unified Register of Social Protection”.

Government procurement tightening

State customers are now obliged to place an announcement about the results of public procurement with their full description on their official website or the website of a higher authority. Information on purchased goods, works and services (including imports) should be placed on the public procurement portal. Suppliers determined by selecting the best offers will thus be able to participate in this process.

The Accounts Chamber and the Antimonopoly Committee will regularly remotely analyze the efficiency and effectiveness of public procurement, and if necessary, go to the field. The results will be available on the public procurement portal and official websites of these departments.

Land acquisition procedures have become more transparent

Khokims are deprived of the right to provide non-agricultural land for long-term lease to enterprises with foreign investments and for permanent possession or use, urgent (temporary) use to investors in a simplified manner. Now free plots for business and urban development in any region can be obtained only through "E-IJRO AUKSION". An exception is the provision of land according to the decisions of the President and the Cabinet of Ministers.

Besides, individuals and legal entities can now submit proposals for the placement of information about the land plot and the planned construction object with specific investment obligations to the agency on intellectual property "YERELEKTRON". Then they will decide whether to put them up for online electronic auction.

Taxation: there are fewer incentives, more VAT payers, excise taxes are rising

From October 1, 2019, Uzbekistan introduces changes to different types of taxes:

- ▶ Legal entities selling gasoline, diesel fuel and gas to final consumers through gas stations are obliged to pay VAT regardless of the amount of revenue;
- ▶ Business entities – importers of goods become VAT payers regardless of the amount of revenue from the sale of goods (works, services). Importing goods for the first time, they must be registered as VAT payers from the 1st day of the month following the month of conclusion of the import contract;
- ▶ VAT exemptions are abolished, including for imports, in respect of:
 - asbestos, coal, timber, wood and products thereof, hydrocarbons;
 - soybeans, sunflower and sesame seeds, oilseeds and raw sugar;
 - agricultural machinery, vehicles, components, materials and tooling used in the production of vehicles;
- ▶ VAT exemptions for agricultural products of own production and food produced in Uzbekistan are abolished;
- ▶ Benefits for exemption from corporate income tax at the source of payment received in the form of interest on funds placed in banks are canceled;
- ▶ Payers of the unified land tax who have reached the established threshold of turnover (revenue), pass to VAT payment starting from the 1st day of the next month.
- ▶ The VAT rate is reduced to 15%. In order to compensate for the budget losses associated with this, excise tax rates on alcohol, tobacco, gas, mobile communications, polyethylene granules and petroleum products are increased.

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