

LEGAL ALERT

ON CHANGES IN BUSINESS REGULATION IN

UZBEKISTAN

LEGAL ALERT IN RECAP

October 2022: Legally eventful period, during which Uzbekistan significantly changed a number of business sectors: banking & finance, personal data regulation, industrial safety, employment relations, customs, renewable energy, construction, chemicals and pharmaceuticals.

Leges Advokat law firm has prepared the following bulletin with updates on the business matters of the Republic of Uzbekistan.

1. LEGAL HEADLINES IN OCTOBER 2022

- Under the Resolution of the Cabinet of Ministers of Uzbekistan No. 556 dated 30 September 2022 – within the period between 1 February 2022 and 1 January 2025, the entities that have implemented projects for the production of dyed and mixed fabrics in the Republic of Karakalpakstan and other Uzbek regions will be eligible to subsidies from the Textile Industry Support fund in the amount of 10% of the cost of equipment, but not exceeding USD 500,000;
- Under the Resolution of the Cabinet of Ministers of Uzbekistan No. 568 dated 5 October 2022, individuals – customers can purchase installations of solar and wind power plants and solar water heating devices manufactured in Uzbekistan, with payment in installments without interest for three years at the expense of state budget. However, consumers who have paid the full cost of installations, are to be compensated based on the type and the power of the purchased installation;
- Under the Resolution of the Cabinet of Ministers of Uzbekistan No. 572 dated October 6, the registration of issuance, introduction of changes and cancellation of securities is required to be made through the Public Service Centers. The application for registration is required to be accompanied by the following documents:
 - The decision to issue shares (bonds);
 - Prospectus for the issue of securities, approved by the authorized management body of the issuer
- Under the Resolution of the Cabinet of Ministers of Uzbekistan No. 566 dated 5 October 2022, the Government approved nineteen Regulations for the licensing of activities in the area of industrial security;
- Under the Resolution of the President of Uzbekistan No. PP-411 dated 26 October 2022, starting from 1 January 2023 all new medicines, except for medicines on the approved list, undergo state registration based on a positive result of clinical trials after studying the compliance of production conditions with the requirements of Good Manufacturing Practice - GMP.

2. NEW LABOR CODE

On 28 October 2022, the President of Uzbekistan signed the Law “On approval of the Labor Code of the Republic of Uzbekistan” No. ZRU-798, which will enter into force after 6 months from the date of official publication (**30 April 2023**).

The new Labor Code is significantly expanded and includes 7 sections, 34 chapters and 581 articles (as opposed to 284 articles in the previous Code). It establishes a distinctly new legal framework for a number of the following relations between the employer and employee:

- The rule for a transition of days off, if they fall on public holidays (non-working holidays) – this rule was not available in the previous version of the Code;
- The minimum duration of the paid leave is 21 calendar days (as opposed to 15 business days applied previously);
- Expanding the grounds pointing to the establishment of employment relations (passing a competition and being selected for the position, sending an employee for work by state authority, obtaining work permits for foreign employees and others);
- Strict compliance with gender equality principle in the regulation of employees who combine work and family responsibilities;
- Digitalization of the employment processing, maintenance of e-book of employment and online registration of employees (along with the cancellation of previous archaic paper-based forms of processing);
- Establishing criteria for the mass dismissal of employees, as well as mechanisms for the protection of personal data;
- Expansion of types of working time: shift work, flexible work schedule, division of the working day into parts, business trips and others;
- Clarification of the wage system, including hourly wages and requirements for it, determination of the minimum wage, regulation of the procedure and norms for paying wages, clarification of the features of the tariff and non-tariff wage systems and many other new legal regulations.

3. REGULATORY “SANDBOXES” IN FINANCIAL SERVICES

The Board of the Central Bank of Uzbekistan approved the Regulation “On the procedure for creating of the special regulatory regime in the area of financial services by the Central Bank of Uzbekistan” dated 4 October 2022 No. 3391 (“**Regulation No. 3391**”).

“Regulatory sandbox” – is a special regime with an experimental introduction of technologies that are not regulated by the current legislation. For example, in the selected region, a zone is created for a certain period, where an exception is made from the general legal regulation.

According to the Regulation No. 3391, for the introduction of the regulatory sandbox, a financial service must meet one of the following criteria:

- It is new for the financial market of Uzbekistan;
- Its consumer qualities have been improved as opposed to the existing financial services;
- Presence of inaccuracies / restrictions / loopholes in the effective legislation that precludes the provision of the new financial service.

Application for the creation of the regulatory sandbox can be submitted only by the legal entity registered in Uzbekistan, which will establish a new financial service, technologies or operations and is required to meet the following requirements:

- It is not in the process of reorganization or liquidation, as well as is not admitted bankrupt and / or it is not subject to insolvency proceedings;
- Beneficiaries, members of the management do not have an active conviction for crimes in the field of economy, against the order of public administration or money laundering and financing of terrorism;
- Beneficiaries, members of the management do not live, are not registered and are not residents of the offshore zone;
- Absence of restrictions on financial transactions at the time of filing application.

The application is reviewed by the Central Bank of Uzbekistan within 40 days, and the review of the application is made free of charge.

4. CUSTOMS

Pursuant to the President's Resolution No. 392 dated 12 October 2022, all participants of cross-border trade under the "processing in the customs territory" customs regime are no longer required to provide security for payment of the customs fees.

Additionally, starting from 1 January 2023:

- if the purchase and sale agreement of equipment (devices, mechanisms, components and spare parts) does not specify separately the cost of services for their installation and (or) launch and adjustment, personnel training and other similar services, the taxable income of a non-resident is calculated based on the market value of these services;
- the current procedure for calculating the taxable income of a non-resident from the provision of the above services under the agreement in the amount equal to 20% of the value of the object of the agreement is canceled.

Until 1 January 2025, a number of raw materials and semi-finished products under the specified list will not be subject to customs fees.

5. PERSONAL DATA PROTECTION

Resolution of the Cabinet of Ministers of Uzbekistan No. 570 dated 5 October 2022 approved two regulations: (1) Regulation on establishing degrees of the adequacy of protection of personal data; and (2) Regulation on storage of biometric and genetic information.

The Regulation on establishing degrees of the adequacy of protection of personal data classifies the four levels of protection and determines the adequate measures of protection against multiple threats. It should be noted that Uzbek law did not previously provide for legislative standards germane to an "adequate level of protection" of personal data.

Further, under the Regulation, the following provisions have been implemented:

- the owner and (or) operator, when processing personal data, based on the existing threats to their security, takes organizational and technical measures to protect them;
- security threats to personal information are understood as a set of conditions and factors that may lead to its change, addition, use, provision, transfer, distribution, depersonalization, destruction, copying as a result of unauthorized, including accidental access to the database.

CONTACT US

Email

info@legesadvokat.com

Website

<https://www.legesadvokat.com/>

Phone

+998(71)-241-16-63

Address

Build. 2, suite 1, Zulfiyakhonim str., Tashkent, 100128