

LEGAL ALERT

ON CHANGES IN BUSINESS REGULATION IN

UZBEKISTAN

LEGAL ALERT IN RECAP

June 2022: Registration of franchise agreements, financial aid for investment projects, groundbreaking land plot turnover and seizure regulations, and tax administration reforms – are the large-scale reforms implemented in the Republic of Uzbekistan.

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

1. GROUND-BREAKING LAND PLOT REGULATIONS

After the adoption of the Law "On procedures for the seizure of land plots for public needs with compensation" No. ZRU-781 dated 29 June 2022, the following amendments were introduced into the land plot regulations:

- Determination of the list of circumstances, when the seizure of the land plot is considered as "public needs":
 - Provision of the land plot for defense and state security, natural areas under protection, creation, and operation of free economic zones, and free trade zones;
 - Performance of obligations arising from the international treaties of Uzbekistan;
 - exploration and development of minerals (excluding common minerals);
 - construction (reconstruction) of roads and railways of republican and local significance, airports, airfields, air navigation facilities, aviation technical centers, railway facilities, bridges, subways, tunnels, engineering facilities and lines of the energy and communications system, space activities, main pipelines, engineering and communication networks, irrigation and melioration systems;
 - execution of approved master plans for settlements in terms of construction of facilities at the expense of the state budget of Uzbekistan;
 - implementation of projects for the construction at the expense of centralized investments in buildings and structures of state institutions of education, healthcare, culture, and medical and social services specified in state investment programs.
- Prohibition of the seizure of the land plot for ‘public needs’ other than those listed above;
- Implementation of the new type of compensation: one-time payment in the amount of 5% of the market value of the real estate located on the land plot for inconveniences caused by seizure;
- Compensation will also cover the unauthorized real estate, i.e. the real estate, construction that was not approved \ registered with the state authorities and was not documented in the state cadaster;
- Determination of the procedure for seizure, appraisal, the conclusion of an agreement with the land plot holders and the real estate located at the land plot, and compensation.

The Law enters into force on 1 October 2022.

2. REGISTRATION OF THE FRANCHISE AGREEMENT

Following the adoption of the Administrative Regulation "On provision of public services for state registration of a complex business license (franchise) contracts" approved by the Resolution of the Cabinet of Ministers No. 346 dated 24 June 2022, registration of the franchise agreement through the Public Service Centers (either in-person or online) was simplified.

New registration rules are as follows:

- Application for state registration of the franchise agreement can be filed by both: the licensor and/or the licensee (previously – it had to be made by the party, whose state registration was made in Uzbekistan);
- The list of documents to be attached to the application is reduced and the following documents are required to be attached:
 - Franchising agreement (translated and notarized – if it is not in Russian or Uzbek languages);
 - For foreign licensors – registration certificate or another comparable document (previously it was required to present also three copies of the franchising agreement, which were to be stamped, numbered, and stitched).
- The period of registration of the franchise agreement was reduced down to 1 business day (previously it was equal to 3 business days).

3. INVESTORS' INFRASTRUCTURE EXPENSES AT THE EXPENSE OF THE STATE BUDGET

With the adoption of the Resolution of the Cabinet of Ministers No. 306 dated 7 June 2022, investment projects worth over UZS 200 billion (approx. USD 18.3 million / EUR 18 million) will be provided with the external engineering-communication network at the expense of the state budget of Uzbekistan.

The expediency of providing the funds by Uzbekistan will be determined by the special commission under the specified criteria of Resolution No. 306.

4. TAX REFORMS

As per the President's Decree No. 162 dated 28 June 2022, the following changes in the tax administration procedure were introduced into the Uzbek law:

- Starting from 1 July 2022, the rule for applying increased rates of property tax and land tax, the suspension of tax benefits and preferences in respect of empty buildings, unused production areas, non-residential structures, objects of construction in progress, as well as land plots, occupied by these objects – are canceled;
- Until 1 March 2023:
 - financial sanctions will not be imposed for the reflection in invoices or receipts of cash registers of ID codes that do not correspond to the range of purchased goods (services);
 - indication of all transactions related to accounting by companies of fixed assets, intangible assets, and inventory resources, as well as transactions related to their authorized capital, in the “E-AKTIV” taxation system, is voluntary (previously – it was mandatory).

5. LAND PLOTS AS MARKET ASSETS

With the adoption of Law No. ZRU-775 dated 6 June 2022 the following changes were brought into the Uzbek land law legislation:

- Vacant agricultural land plots for farming will be provided through an open electronic auction (*previously, it was an offline open auction*);
- Land plot lease for agricultural purposes was reduced down to 30 years (*previously, it was equal to 50 years*);
- Lands of the forest fund can now be provided for permanent use as well as for lease to individuals and legal entities in the order established by law (*previously, the land law did not define such possibility*);
- Electronic confirmation of state registration will be automatically generated online (*previously, it was an offline process*).

If a land plot is used for purposes other than those provided by laws, the Cadastre Agency is now empowered to file a claim on termination of the right to land plot after prior notice to the land user or landowner.

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