

LEGAL ALERT

ON CHANGES IN BUSINESS REGULATION IN UZBEKISTAN

LEGAL ALERT IN RECAP

November & December 2023: Recent regulatory updates in Uzbekistan's business sector are designed to cultivate a favorable environment for key sectors such as advertising, microfinance, licensing, foreign exchange (FX) operations, intellectual property (IP) protection, and litigation. Uzbekistan has taken proactive measures in the past two months, reinforcing reforms in areas such as legislative changes for economic, civil, and administrative procedures. Tax incentives are being provided for projects carried out with international organizations, and efforts are being made to promote the growth of the microfinance sector and enhance consumer protection related to payment organizations.

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

1. WHAT CHANGES CAME INTO FORCE ON NOVEMBER & DECEMBER 2023?

Starting from November 1, 2023:

- It is prohibited to place non-agricultural land for auction, to approve design and estimate documentation, or to issue a permit to use the facility upon completion of construction and installation works without obtaining **a positive opinion** from the **fire safety authorities**.

Starting from December 1, 2023:

- **The Basic Calculation Amount** (BCV) increases by 3% making up **340,000 Uzbek soums** whereas **Minimum Wage** reaches the threshold of **1,050,000 Uzbek soums** per month.¹
- Starting from December 6, 2023, individuals are required to declare and present to a customs officer any national and/or foreign cash currency being imported or exported in amounts exceeding **100 million Uzbek soums** (*previously - 70 million Uzbek soums*).²
- The securities market regulator (*currently – the National Agency of Perspective Projects*) can direct the review of changes in the issuer's executive body and suspend the issuer's securities offering if there are repeated delays (2 or more) in disclosing required information and reports within a year.³
- The following public services can now be received within the territory of the **Special Economic Zones** (SEZ) by applying directly to the directorates of the SEZ (*previously – only via the Unified State Services Platform or the State Services Centers*):
 - ✓ Placement of investment projects;
 - ✓ Registration of participants;
 - ✓ Conclusion of investment project and lease contracts.⁴

¹ <https://lex.uz/ru/docs/6665687>

² <https://lex.uz/ru/docs/6592747>

³ <https://lex.uz/docs/6590029>

⁴ <https://lex.uz/uz/docs/6598331>

- News in **Outdoor Advertising Market**:
 - ✓ The “[Tashqi reklama](#)” electronic system is being implemented to promote fair opportunities and transparency for business players in the industry;
 - ✓ The site passport for both the **installation and placement of advertising** on the structures of state-owned land will be automatically handed over to the winner of the auction in the form of a public offer on the “[E-auksion](#)” unified trading platform.
 - ✓ A single monthly fee will be introduced for both the **installation and placement of advertising** on the structures of state-owned land (*previously – there were separate fees for each*).⁵
- The “[E-certifikat](#)” information system in the customs information system “[Single Window](#)” will launch to provide guidance on **GSP+ benefits**, allowing for the freedom to select testing laboratories, including veterinary medicine, plant quarantine, sanitation, and epidemiology, as well as electronic registration of test protocols.

Please note that the GSP+ is an EU incentive for sustainable development and good governance that helps vulnerable developing countries. In exchange for ratifying 27 international conventions on human rights, labor rights, environmental protection, and good governance, the EU eliminates import duties on over two thirds of their exports.

2. MICROFINANCE MARKET EVOLUTION

In line with the Presidential Resolution “On additional measures to increase the role and share of microfinance services in the development of entrepreneurial activity” PP-364 dated 10 November 2023, the growth of the microfinance market volume by at least 5 times has been set as the target of government efforts.⁶

⁵ <https://lex.uz/docs/6591660>

⁶ <https://lex.uz/ru/docs/6658629>

For this purpose, the following initiatives have been forward into force since 1 January 2023:

- Maximum amount of microloans is increased up to **100 million Uzbek soums** (*previously – 50 million Uzbek soums*).
- Microfinance organizations are allowed to attract **loans from non-residents** and provide financial services to legal entities **in foreign currency**.
- The Central Bank has eased the requirement for prior approval to **purchase shares** in non-banking credit institutions, raising the threshold from 10% to 20%. Instead, a new notification process has been introduced for acquiring shares between 10% and 20%.
- Microfinance organizations are now permitted to attract loans from its shareholders-individuals **up to twice of their contribution** to the charter fund or the nominal value of their shares

Please note that the Law “On non-bank credit organizations and microfinance activities” prohibits borrowing from such shareholders in excess of the amount of their contribution to the charter fund.

3. UPDATES IN LICENSING AND PERMITS REGULATION

On 15 November 2023, a new Law “On amendments and additions to some legislative acts” ZRU-878 was passed to introduce the following changes for businesses⁷:

A license or a document of a permissive nature shall be revoked in cases of:

- systematic (two or more times within one year) violation of the relevant requirements;
- a single gross violation of the relevant requirements causing harm to individuals, entities, public safety, the environment, or national security.

Please note that in these cases, the license cannot be reissued for a year for the specific activities defined by the legislation. This also applies to new business entities established by the business owner or beneficial owner.

⁷ <https://lex.uz/docs/6662982>

Moreover, the Ministry of Investment, Industry and Trade (*previously - Agency for Alcohol & Tobacco Market Regulation and Wine Development*) has been designated as the licensing body for the following activities:

- wholesale of alcoholic beverages; - a license is required
- production and wholesale of beer and beer beverages; – a notification is required
- wholesale of tobacco products. – a notification is required

However, retail sale of tobacco products is carried out in the order of notification of district (city) tax inspections.

The law comes into force on February 17, 2024.

4. VAT EXEMPTION FOR FOREIGN-FUNDED PROJECTS

On 16 November 2023, the President of the Republic of Uzbekistan has enacted a Decree “On measures to further facilitate projects implementation executed with international and foreign financial organizations” UP-195.⁸

At that, goods and services acquired by government-funded organizations, state enterprises, and legal entities, in which the state holds a share of 50% or more, for projects financed by external state debt attracted from **international financial institutions** and **foreign government financial organizations**, are exempt from value-added tax **until January 1, 2028**.

5. DIGITAL ECONOMY: PAYMENT SYSTEMS & PAYMENT ORGANIZATIONS

The Resolution of the President of the Republic of Uzbekistan “On measures to strengthen the protection of the consumers rights regarding digital products (services)” PP-381 dated 31 November 2023 sets out the following requirements with the aim to combat offenses committed through digital technologies:

- Starting from July 1, 2024, operators of payment systems and payment organizations can be established only in the form of a joint stock company;
- The minimum amount of the charter capital of operators of payment systems and payment organizations is increased up to the following thresholds:

⁸ <https://lex.uz/ru/docs/6663557>

- ✓ Starting from July 1, 2024:
 - for operators of payment systems - **50 billion Uzbek soums**,
 - for payment organizations - **10 billion Uzbek soums**.
- ✓ Starting from July 1, 2025:
 - for payment organizations - **20 billion Uzbek soums**.

Furthermore, the National Agency for Perspective Projects has been now designated as the authorized body responsible for **e-commerce regulation and development** (previously - the Ministry of Digital Technologies & the Ministry of Investment, Industry, and Trade) as well as **oversight of lotteries and betting activities** (previously - the Ministry of Economy and Finance).

6. IP REGULATION: REGISTRATION OF APPELLATION OF GOODS ORIGIN

On 7 December 2023, the Minister of Justice approved the Order “On approval of the rules for compiling, filing and review of the application for registration of the appellation of origin of goods” No. 3482.⁹

The rules determine:

- procedure for filing an application for registration of a trademark, appellation of origin of goods and the right to use the appellation of origin of goods;
- requirements to the application for registration and its content;
- procedure for consideration and examination of the application, etc.

Please note that the appellation of origin of goods is the name of a country, settlement, locality or other geographical object used to designate goods whose special properties are exclusively or mainly determined by natural conditions or other factors characteristic of this geographical object.

⁹ <https://lex.uz/docs/6691265>

7. A TIGHTENING GRIP ON FX TRANSACTIONS

By the Resolution of the Board of the Central Bank No. 3281-3 dated 18 December 2023 amendments have been made to the Rules of execution of currency operations in the Republic of Uzbekistan.¹⁰

Hence, domestic currency transactions cover, among other things, transfers related to non-residents' purchase and sale of shares and bonds (excluding Central Bank bonds) in organized securities trading, including through stockbrokers and investment intermediaries.

The special currency account is credited with the foreign currency acquired by the client, as well as previously debited from this account, but not used, as well as returned for other reasons.

In this regard, the provision of the Rules requiring the unused foreign currency on the special currency account to be re-sold to the commercial bank or to be re-transferred for the purposes indicated in the request **within three banking days** is **removed**.

At that, foreign currency funds purchased by the bank client (including those not used or returned) shall be used within 7 banking business days from the day of crediting to the special foreign currency account of the client or shall be re-sold to the commercial bank **not later than the next banking day** after the end of this term.

8. ECONOMIC & CIVIL & ADMINISTRATIVE COURTS: REVISION INSTANCE

The Law of the Republic of Uzbekistan ZRU-888 dated 25 December 2023 amended and supplemented the Economic Procedure Code, to implement **a revision procedure** in regional and comparable courts **for the review of cases** formerly considered on appeal or cassation.¹¹

Courts of appeal and **cassation** instances can no longer refer cases to courts of first instance for reconsideration. Instead, they are responsible for delivering the final judgment in a case.

Most importantly, a decision, ruling or resolution of the inter-district, district, or city economic courts that has entered into legal force in cases heard on appeal or in cassation, as well as a ruling

¹⁰ <https://lex.uz/docs/6701383>

¹¹ <https://lex.uz/ru/pdfs/6711148>

of a court of appellate or cassation instance, **may be appealed (protested) by way of revision** to the Court of the Republic of Karakalpakstan, the regional courts and the Tashkent City courts.

Judicial decisions rendered by the Court of the Republic of Karakalpakstan, the regional courts and the Tashkent City courts in cases undergoing the revision procedure **are subject to appeal (protest)** within the framework of the same revision procedure, and such appeals are directed to the **Judicial Collegium for Economic Cases of the Supreme Court**.

Judicial decisions rendered by the Judicial Collegium for Economic Cases of the Supreme Court can be appealed to the **Presidium of the Supreme Court** through the revision procedure.

It is important to note that both civil and administrative court proceedings are subject to the ыфбы revision procedures by the provisions outlined in two key laws: the Law of the Republic of Uzbekistan “On Introducing Amendments and Additions to the Code of Civil Procedure” ZRU-887 dated 25 December 2023 (<https://lex.uz/en/docs/6708699>) and the Law of the Republic of Uzbekistan “On Introducing Amendments and Additions to the Code of Administrative Procedure” dated 25 December 2023 No. ZRU-889 (<https://lex.uz/ru/pdfs/6711136>).

9. CUSTOMS INCENTIVES: FOOD STAPLES

As per the Presidential Decree “On measures to maintain price stability for basic food staples on consumer markets” UP-217 dated 28 December 2023, the following measures were undertaken to contain inflation and enhance consumers’ purchasing power¹²:

The zero rate of import customs duty for the food products in LIST No. 1, has been extended **until January 1, 2025**.

Starting in early 2024 until January 1, 2025, customs duties for the products indicated in LIST No. 2 will be set at zero.

The LIST No. 1			
1.	Edible offal	9.	Tapioca
2.	Fish	10.	Baking yeast

¹² <https://lex.uz/ru/pdfs/6717304>

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3.	Milk and cream, condensed or with added sugar	11.	Flour (wheat, wheat-rye flour)
4.	Dairy products	12.	Coffee
5.	Poultry eggs	13.	Tea
6.	Bananas	14.	Oils (soybean, peanut, palm, rapeseed)
7.	Citrus fruits	15.	Animal or vegetable fats and oils
8.	Margarine		

The LIST No. 2

1.	Meat
2.	Poultry by-products
3.	Oils (sunflower, safflower, cottonseed)

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