

LEGAL ALERT

ON CHANGES IN BUSINESS REGULATION IN

UZBEKISTAN

LEGAL ALERT IN RECAP

September 2023: The legal framework governing key business sectors has undergone rapid and significant development, resulting in positive transformations that align with global standards. These advancements have been particularly noteworthy in pivotal sectors, including the stock market, taxation, financing, cryptopolitics, and intellectual property law, showcasing a commitment to professionalism and international best practices.

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

1. WHAT CHANGES ARE COMING INTO FORCE IN OCTOBER 2023?

- Starting from October 1, 2023, documents related to the **securities market**, including those undergoing review by the Ministry of Economy and Finance (such as licensing of relevant activities, registration of securities issues, and related documents), will be transferred to the **National Agency of Perspective Projects** that will finalize the review process.
- Financial sanctions exceeding 10 million Uzbek soums for **tax offenses will require court intervention** if the business entity disputes the offense.¹
- Business entities can lease:
 - ✓ State-owned **natural and artificial water bodies (reservoirs)** for commercial fish breeding, catching, and other authorized purposes as per legislation.
 - ✓ **Non-agricultural land parcels** near natural and artificial water bodies, reservoirs, and rivers for establishing beach areas, offering sports and recreational fishing, boating, water-based activities, fish product trade, catering, and other tourist services, as well as for setting up temporary structures (e.g., yurt camps, containers) for these purposes.

These leases will be facilitated through the electronic trading platform “E-auksion” **via online auctions**.²

- Legal entities or individuals, who voluntarily report their involvement in anticompetitive agreements or mutually coordinated actions to the Competition Committee, will be exempt from **liability under the Competition Law**.³
- A **Green Energy Certificate** system is being implemented to confirm the generation of electricity from renewable sources such as solar, wind, and hydroelectric power plants⁴.

¹ <https://lex.uz/ru/pdfs/6600415>

² <https://lex.uz/ru/docs/6575097>

³ <https://lex.uz/ru/docs/6525105>

⁴ <https://lex.uz/ru/docs/6464658>

Please note that income generated by generation facilities from the sale of green energy certificates related to the use of renewable energy sources is exempt from income tax.

- The disclosure requirements for business entities are as follows:
 1. Business entities with securities listed on the stock exchange must disclose information on cash flow and cancellation of a portion of the share issue, in addition to information and reports required by legislation.
 2. Business entities whose securities are not listed on the stock exchange are not obligated to disclose material facts on a mandatory basis. The specific list of these material facts will be determined by the authorized state body responsible for regulating the securities market (*currently – the National Agency of Perspective Projects*).

However, there are exceptions for the following categories of business entities, which must still disclose material facts:

- ✓ Commercial banks
- ✓ Insurance organizations
- ✓ Joint-stock companies where the state holds a share of 50 percent or more in their charter fund

This regulation also applies to joint-stock companies owned by these entities.⁵

2. LATEST STOCK MARKET NEWS

The newly adopted Resolution of the President of Uzbekistan PP-291, dated September 2, 2023, has implemented the following innovative reforms in the sphere of securities regulation.

- The National Agency of Perspective Projects (“NAPP” or “Agency”), previously in charge of crypto politics, will now take on the role of a **regulator for the capital market**:
 - ✓ It will assume the responsibilities and authority of the Ministry of Economy and Finance in this domain;

⁵ <https://lex.uz/ru/docs/6277774>

- ✓ The Agency is the legal successor of the contracts of the Ministry of Economy and Finance in the field of capital market;
 - ✓ Previously issued licenses and other authorizations in the field of capital market will remain valid (*adoption of this resolution does not entail their cancellation or amendment*);
 - ✓ The NAPP will also establish a “regulatory sandbox” procedure in the capital market sector (*previously – the Central Bank of Uzbekistan*).
- The State Unitary Enterprise “Central Securities Depository” (“**Depository**”) will be transformed into a joint-stock company and the state block of shares in its charter capital will be transferred to the Central Bank of Uzbekistan (“**CBU**”).
 - “National Clearing Center” JSC will be established under the founding of “The Uzbek Republican Currency Exchange” JSC.
 - The CBU will regulate the operations of the “National Clearing Center” JSC as a “Central Counterparty” and for centralized clearing (clearing house).
 - Correspondent accounts for settlements with the CBU will be opened for both the “National Clearing Center” JSC and the Depository until May 1, 2024.
 - Starting from January 1, 2025, a unified record of government and corporate securities will be maintained by the Depository.

3. TAX & FINANCIAL LIABILITIES

Following open dialogues between the President of the Republic of Uzbekistan and entrepreneurs, the President enacted a new Resolution PP-292 on September 4, 2023, addressing systemic problems in the sphere of entrepreneurship⁶.

In particular, consistent efforts have been made to simplify doing business by reducing the tax burden and creating a user-friendly financing system:

- The use of the **tax gap coefficient** is forbidden when refunding a negative value added tax amount.
- **Tax-related cases** currently handled by economic courts will be shifted to the jurisdiction of administrative courts.

⁶ <https://lex.uz/uz/docs/6591965>

- The **tax liability period** is reduced from five to three years.
- During a **desk tax audit**, except for those conducted for value-added tax refunds, the following actions are prohibited:
 - ✓ access to the territory of the taxpayer;
 - ✓ inspection of the territory and premises of the taxpayer;
 - ✓ demanding documents from the taxpayer and requesting the latter's summons;
 - ✓ seizure of documents and items of the taxpayer.

Moreover, starting from January 1, 2024:

1. Upon the issuance of a court judgment on the **collection of debt on loans** allocated to the individuals and businesses, the accrual of interest and penalties on these loans shall cease;
2. A procedure will be put in place to prioritize funds allocation when there is insufficient payment to meet credit obligations as follows:
 - ✓ **First priority:** Repayment of overdue principal debt and interest debt proportionally.
 - ✓ **Second priority:** Clearing interest accrued on the current payment and principal debt.
 - ✓ **Subsequent priorities:** Handling penalties and execution costs.

4. CRYPTO-ASSETS TURNOVER: NEW PERMIT & FEES

The President of Uzbekistan signed the new Law “On amendments and alterations to some legislative acts” No. ZRU-866 on 6 August 2023, to update the licensing and permitting procedures system in the sphere of cryptoasset turnover⁷.

A novel permit has been introduced for **mining activities** that is issued by the NAPP.

Also, legal entities obtaining a license to operate as service providers in the field of crypto-asset turnover, specifically a crypto-exchange, a mining pool, a crypto-depository, crypto-store activity, will be required to pay **a state fee as determined by the NAPP.**

⁷ <https://www.lex.uz/docs/6596500>

5. IP REGULATION: TRADEMARKS REGISTRATION

As per the Resolution of the Government of Uzbekistan “On approval of administrative regulations for the registration of trademarks and service marks” No.480, dated 19 September 2023, a comprehensive procedure and regulations for the registration of trademarks and service marks have been outlined⁸.

This state service is provided by the Ministry of Justice (“**Authorized body**”).

Applicants can submit a trademark registration application either directly or through a representative via the website of the Authorized body (<https://im.adliya.uz>) or electronic platform the “Unified Portal of Interactive State Services” (<https://my.gov.uz>) or by mail.

Thereafter, the applicant is required to make the patent filing fee payment within a period of three months. Once an application is accepted, the applicant is notified of its registration number and date of receipt.

In addition, the criteria for eligibility for trademark protection have been established.

As a matter of law, visual, verbal, volumetric, and other designations or their combinations in any color may be registered as trademarks. In this regard, the Resolution provides a more detailed description of each category:

- **Visual designations** include images of living beings, objects, natural and other objects, as well as lines, dots, flat compositions of any figures (except volumetric ones).
- **Verbal designations** include words, syllabic consonants with the appearance of a word (in particular, syllabic consonants of vowels and consonants of any sequence), word combinations, sentences, as well as their consonants.
- **Three-dimensional designations** include three-dimensional objects, spatially arranged figures and lines, and combinations of figures.
- **Cumulative designations** include a combination of visual, verbal, volumetric, and other elements of various descriptions.
- **Other designations** include posable, voiced, moving, composed of light, holographic, and odoriferous (scent-related).

⁸ <https://lex.uz/ru/docs/6613366>

Finally, the list of **non-distinctive designations** which are not eligible for registration has been put forward:

1. Individual letters without specific graphic representation, characters consisting of numerals (excluding verbal representations of numerals), and combinations of letters lacking a verbal representation.
2. Designations composed solely of a surname.
3. Lines, basic geometric shapes, and connections that do not create distinct compositions or offer a qualitatively different level of perception compared to individual elements within them.
4. Actual or schematic representations of goods or services as trademarks.
5. Three-dimensional objects whose shape are dictated solely by functional purpose.
6. Common names for goods when used as trademarks.
7. Generalized abbreviated names and industry-related abbreviations.

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