



## Legal Alert

### Overview of key legislative changes in April 2020

#### Additional measures to support economic sectors and business entities

In a resolution from 3 April 2020, the President has established a large number of tax, customs, audit, corporate governance, bankruptcy, rent and pharmaceutical-related benefits and preferences for businesses.

The main tax breaks include:

- 0% customs and excise duties on the import of certain goods until 31 December 2020;
- between 1 April and 31 December 2020, VAT payers whose turnover on the sale of goods (services) does not exceed 1 billion sums per month and who use electronic invoices, may calculate and pay VAT quarterly;
- the suspension of increased property tax and land tax rates on unused production areas, non-residential facilities, including those identified before 1 April 2020, as well as interest and the forced collection of debt arising from increased tax rates;
- between 1 April and 31 December 2020, tour operators, travel agents and tourism entities will be exempt from corporate land tax and property tax, and will pay social tax of 1%;
- micro-firms, small businesses and individual entrepreneurs that have suspended operations and/or

whose revenue has dropped by more than 50% are entitled to interest-free tax deferrals until 1 October 2020 on certain taxes.

Importantly, a moratorium has been introduced until 1 October 2020 on initiating bankruptcy proceedings and declaring enterprises facing financial difficulties bankrupt due to measures to counter the spread of coronavirus.

### **Cancellation of the state regulation of retail gasoline and diesel prices**

On 6 April 2020, the President signed a resolution stating that from 1 May 2020:

- the state regulation of Ai-80 and diesel retail prices (including IVF brands) will be cancelled;
- refineries will sell Ai-80 and diesel (including IVF) exclusively through exchange trades;
- waste diesel (including IVF brands) will be sold to state-funded organisations, farms and cotton-textile clusters, raw cotton and grain producers; Uzbekistan Temir Yo'llari and Toshshahartranskixmat; state-owned enterprises collecting and exporting household waste at weighted average exchange prices for the previous quarter, according to direct contracts with the right to purchase petroleum products from refineries;
- refineries, at the request of Uzbekneftegaz, will provide Uzbekneftegaz discounts for the diesel (including IVF) sold to customers.

### **Excise duties on nicotine-containing products**

Excise duties will be introduced from 1 June 2020 on imports with heated tobacco; smoking, chewing, snuffing and sucking tobacco; and for hookah, nicotine-free snus and nicotine-containing liquid.

In addition, from 1 May 2020 excise stamps on domestic and imported alcohol and tobacco products will take a new form.

All products marked with the old excise stamps will be treated as unmarked from 1 February 2021 and will be subject to seizure by the state authorities.

### **State procurement**

Procurement conditions have been amended for 24 business entities of strategic importance approved by the President in a resolution introducing measures to support the activities of entities and enterprises of strategic importance from 22 January 2018.

Firstly, the entities in question are now only required to submit technical specifications worth over 5,000 base count rates (BCR, 1 BCR equals approx. USD 22) to the Comprehensive Project and Import Contract Review Centre, as well as import contracts and additional agreements to them worth 40,000 BCR (previously all contracts had to be submitted).

Secondly, from 1 January 2020, strategic buyers, before procurements, are required to publish an announcement specifying the procurement commission deadline for accepting proposals. The new period is 10 days (previously - 15).

The Minister of Finance has signed an order introducing procedures for conducting electronic tenders, developing tender documentation and publishing it, submitting tender bids, as well as for summing up electronic tender results and procurement commission activities.

### **Mechanism for generating and approving PPP project prices**

The PPP project implementation mechanism includes:

- initiating and developing projects and selecting private partners;
- carrying out a preliminary project evaluation;
- preparing a project concept;
- reporting on implemented projects;
- keeping a register of PPP projects.

Prior to project initiation and preparation, the state partner performs a preliminary assessment of the proposed PPP project to explore implementation possibilities. The next step is project initiation, which involves:

- developing, evaluating, coordinating and approving a project concept;
- the authorised state body considering and approving the concept;
- a government partner or the government approving the agreed project concept;
- the authorised public body entering the project concept in the PPP project register.

The Ministry of Finance sets monopoly product prices based on a written request from the state partner. Fixed or marginal prices/extra charges for certain goods can also be set by presidential resolution.

The state partner sets prices for other goods (works, services) on PPP projects in consultation with a private partner.

### **New non-cash settlement regulation**

The Central Bank approved new non-cash settlement regulations from 13 April 2020, removing chapters on payments using commercial bank cheques and bank cards.

Collection orders are now submitted to the payer or recipient's bank in writing (paper) or electronically.

Electronic collection orders must be signed using electronic signatures and sent to the bank for execution through the payment system.

### Temporary Admission Convention

On 24 April 2020, the President signed a decree acceding Uzbekistan to the Temporary Admission Convention from 26 June 1990.

The convention permits freedom of movement across borders and the temporary import of goods into a customs territory exempt from taxes and duties for participating states, subject to compliance with special provisions for goods provided in convention annexes. Goods, including vehicles imported in accordance with the temporary import procedure are subject to export within a certain period, which is deemed sufficient to achieve the purpose of their temporary import. This period is specified separately in each annex.

Each participating state will reduce formal requirements to receive benefits provided for by the convention as far as possible, and commits to publishing any decisions made regarding these formalities.

### Duty free warehouse or store licenses

The Cabinet of Ministers issued Resolution No. 210 on 9 April 2020 approving new regulations for the provision of public services to license customs warehouses, free warehouses and duty-free stores. The changes include:

- licensing authority - regional customs offices and the "Tashkent-AERO" specialised customs complex;

- licenses are granted exclusively through public service centres or the integrated portal for interactive public services ("IPIPS");
- the deadline for issuing a license is 20 days from the receipt date of a questionnaire and all necessary documents;
- service fee - 0.5 BCR for public service centres, and 90% of 0.5 BCR for IPIPS;
- state fee - 5 BCR.

### Temporary restriction on exports and imports

The following are temporarily suspended from 1 May until 31 December 2020:

- the export of raw materials to produce medical products (net textual material, "Spanbond" non-pitched material and "Meltblau" non-pitched material);
- the import of cement products.

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