



Legal alert

Overview of key legislative changes in October 2019

New version of the Currency Regulation Law

A new version of the Currency Regulation Law, developed in accordance with the Presidential Decree of 2 September 2017 *On Priority Measures to liberalise Foreign Exchange Policy*, has been approved to incorporate a number of new currency regulation standards and mechanisms, such as:

1. a new extended list of residents, which includes:
 - Uzbekistan nationals residing abroad
 - branches and representative offices created in the country of the legal entity, both in Uzbekistan and overseas

- Uzbekistan trade representative offices, including those overseas
- international organisations with headquarters in Uzbekistan
- Uzbekistan non-residents that are not covered by the concept of resident

2. Under the new version of the law, tariffs and prices for goods and services in Uzbekistan are determined exclusively in local currency (Soum). It is **prohibited to link prices for goods and services** sold domestically to foreign currencies and other units.

3. The list of currency transactions allowed between residents has been amended.

4. According to the new version of the law, resident individuals are now allowed to open accounts and deposits in foreign currency in both local and foreign banks overseas (previously, resident individuals could only open a foreign currency bank account for their period of residence overseas).

Legal entities, provided they have Central Bank approval, are entitled to open accounts in foreign banks. Central Bank approval to open accounts in foreign banks is issued in accordance with presidential or governmental decisions, or

Legal alert

international treaties, which should provide justification for the account to be opened.

Legal entities are obliged to notify the tax authorities where they are registered, as well as the Central Bank, when they open and close foreign accounts, and of any change in account details, as well as quarterly balances and turnover no later than one month from the end of the reporting quarter.

5. A new article on the repatriation of foreign trade transaction assets has been added.

6. The Central Bank, Audit Chamber, Ministry of Finance, State Tax Committee and State Customs Committee, as currency control bodies, may inspect and demand the submission of documents, but only if they are directly related to a currency transaction. In turn, inspection targets are entitled familiarise themselves with inspection materials, appeal the actions of the authorities and demand compensation for actual damage caused to them.

7. Individuals are now allowed to bring into Uzbekistan unlimited foreign currency in cash. The amount of foreign currency in cash that may be taken out of Uzbekistan may not exceed one hundred million Soum (approximately US\$ 10 530). Legal entities, with the exception of Uzbekistan banks, are prohibited from bringing foreign currency into or out of Uzbekistan.

Amendments in export/import currency control regulations

Regulations outlining the procedure for monitoring foreign trade operations have been amended, specifically, the deadlines for registering goods under import contracts, the receipt of revenue or the return of goods under export operations.

Entities breaching these deadlines by more than 30 banking days will be subject to a fine.

Import operations

According to the Regulations, goods may be imported into the country for free circulation, and services performed or funds paid for them returned under import contracts should not exceed:

- for contracts concluded within the framework of projects implemented in accordance with presidential and Cabinet of Ministers decisions, or in the case of Steering Committee contract approval as part of the implementation of Production Sharing Agreements – ***the period set in the import contract;***

- for the import contracts of electricity industry organisations, concluded in relation to technological equipment for their own production needs, - ***270 calendar days*** from the payment date;

- for other import contracts – ***180 calendar days from the payment date.***

Export operations

The deadline for receiving revenue or re-importing goods under export contracts should not exceed:

- ***180 days from the date of the actual export of goods*** by resident founders to overseas organisations (trading houses, trade missions, subsidiaries, company stores, dealer networks and consignment warehouses), as well as business entity - members of the Chamber of Commerce and Industry Uzbekistan to the Chamber of Commerce and Investment Houses;

- on the export of electrical and household products of own production - ***180 days from the registration date of a cargo customs declaration;***

- ***120 days from the date of actual export of goods and services*** for other exporters;

In the event of ***force majeure*** situations, the deadline for receiving revenue in foreign currency is extended for the duration of the force majeure, as confirmed by the relevant authorised body.

General list of 28 visa categories adopted

A new general list including 28 visa categories has been adopted.

The new list includes new entry visa categories for overseas citizens, such as diplomatic entry visas (D1 and D2), business entry visas (B1 and B2) and work entry visas (E), tourist visas (T and TG), study visas (A1 and A2) and others.

In addition, a separate list was compiled of 86 countries whose citizens are granted visa-free entry into Uzbekistan.

New, simplified permanent residence procedure for foreign nationals

From 1 March 2020, foreign nationals who have invested at least US\$ 3 million in the creation of enterprises to produce goods and services can obtain 10-year residence permits in Uzbekistan through a simplified procedure.

A procedure for issuing investment visas to these has also been introduced.

Excise duties on imports have been revised

From 1 January 2020, excise duties on certain types of excisable goods imported into the country will change as follows:

- imported sugar will be taxed at 20%. It is currently not taxed;
- the rate on imported water, ice and snow will increase to 50% from 25% of the customs value;
- the reduced rate of 20% of the customs value, previously applied to imported cars no older than 2 years in the equivalent of US\$ 40 thousand or more, was cancelled.

An electronic cooperation exchange will be launched by 1 November

An electronic cooperation exchange will be created to hold regular fairs, expand the production of products in demand and the remote conclusion

Legal alert

of contracts to supply industrial products. According to Resolution of the Cabinet of Ministers No. 833 of 30 September 2019, the portal will be launched in full on 1 November.

The portal should be integrated with statistical, customs, tax and financial authority databases and will provide:

- information on the types, volumes and technical parameters of goods produced in the country, as well as imported and exported industrial goods;
- the list of import-substituting products recommended for development.

The Ministry of Economy and Industry will be responsible for operating the electronic cooperation exchange. Customers and suppliers should register on it using a digital signature.

“Green Economy” transition strategy approved

The main targets of the strategy are to:

- increase the energy efficiency of the main sectors of the economy;
- develop financial and non-financial mechanisms to support the green economy;
- develop the use of renewable energy sources and diversify energy consumption;
- adapt and mitigate the effects of climate change; increase the efficiency of the use of natural resources and preserve natural ecosystems.

According to approved strategy targets, the share of renewable energy sources should be 25% of total electricity production.

Foreign investments, loans and grants from international financial institutions, foreign state financial organisations will be attracted to implement the planned measures.

The procedure for organising public councils to consider appeals of entrepreneurs has been approved

Public councils to consider the appeals of entrepreneurs have been created by the Prime Minister’s office and consist of lawyers, active entrepreneurs and other members of the public.

Council proposals will be sent regularly to the Ministry of Economic Development’s Agency for the Development of Small Business and Entrepreneurship for practical implementation.

Councils, consisting of council members, a chair, vice-chair and secretary, are formed for a period of three years.

Measures taken to improve funding mechanisms

To improve the legal protection of creditors and the mechanisms for financing entrepreneurial activity, a law was passed amending the *Laws On Pledges, On Bankruptcy, On Leasing, On the Enforcement of Judicial Acts and Acts of Other Bodies, On Mortgages*, and the relevant articles of the Tax, Customs and Civil and other codes.

According to the law, to ensure transparency for creditors, the authorities (investigative, tax and customs authorities) are required to make appropriate entries in the collateral register on the seizure of mortgaged property.

Likewise, a procedure has also been introduced to meet the claims of creditors who have entered a record in the collateral register of their rights to the same property and waiting for their turn.

Creditors who have entered their right in the collateral registry have an advantage over those creditors who have made no such entry.

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