



Legal alert

Overview of key legislative changes in Uzbekistan in February 2021

New version of the Audit Law

On 25 February 2021, Law No. 3PY-677 *On Audit Activities* was adopted, abolishing the licensing requirement to perform audit activities. Audit organisations are now entitled to perform audit activities from the date they enter details on them in the Audit Organisation Register. The law prescribes that audit organisations should ensure:

- auditors own at least 51% of the statutory fund (except when creating an audit organisation - branch or subsidiary of a foreign audit organisation);
 - at least four staff auditors for whom the audit organisation is their main place of work;
 - that auditors take refresher courses once a year;
- In addition, commercial organisations are now subject to mandatory audit if, at the end of the reporting year:
- the book value of their assets exceeds 100 thousand times the base count rate ("BCR") (approximately USD 24);
 - proceeds from product, work or service sales exceed 200 thousand times the BCR;
 - average annual headcount exceeds 100 people.

Subsidies for water-saving technology

Resolution of the Cabinet of Ministers No. 95 dated 23 February 2021 has approved Regulations outlining the procedure for reimbursing a part of agricultural producer costs incurred to introduce water-saving technology and returning subsidies provided. Accordance to the Resolution, subsidies are issued to agricultural producers by the:

- Ministry of Water Resources, to cover part of the cost of introducing drip irrigation technology in cotton growing;
- Ministry of Agriculture, to cover part of the cost of introducing water-saving technology in the cultivation of cereals, vegetables and potatoes, melons and fodder crops, oats, legumes and medicinal plants; in land levelling using laser equipment, and also of purchasing domestically produced laser automated land-planning units;
- Agency for the Development of Horticulture and Greenhouses, to cover part of the cost of introducing water-saving irrigation technology to cultivate fruit and grapes (with the exception of industrial grape plantations);
- Agency for the Regulation of the Alcohol and Tobacco Market and Winemaking Development - for industrial grape plantations.

State support for entrepreneurial activity

Resolution of the Cabinet of Ministers No. 77 dated 17 February 2021 approved Regulations for the Ministry of Economic Development and Poverty Reduction's Agency for Enterprise Development.

It also approved Regulations for the Entrepreneurial Development Agency to manage a new State Fund for Entrepreneurial Support, which is the legal successor of the Cabinet of Ministers' State Fund for the Development of Entrepreneurial Activity in terms of all rights, obligations and agreements, and expand the financial aid provided by the Fund, introducing new types of funding and establishing an effective management system.

Applications for financial assistance from the Fund are made electronically.

Persons who have already received assistance from the Fund are entitled to reapply for surety and/or compensation following full repayment of a loan

agreement debt on the basis of a valid surety agreement or compensation, as well as upon termination of a surety agreement and compensation with the consent of the parties or its invalidation.

Certification of environmentally hazardous products and waste

Resolution of the Cabinet of Ministers No. 75 dated 16 February 2021 approved Regulations outlining the procedure for the obligatory environmental certification of environmentally hazardous products and waste imported to and exported from Uzbekistan.

The Regulations do not apply to special cargo transiting Uzbekistan. Environmentally hazardous products and waste may be imported and exported on the basis of an environmental certificate issued by a body accredited by the State Committee for Ecology and Environmental Protection.

Likewise, environmentally hazardous products and waste included in a list approved by the Cabinet of Ministers may not be imported or exported by countries not recognised as members of the Basel Convention.

Importers or exporters may either apply for an environmental certificate from the customs "Single Window" or directly from the environmental certification body.

Environmental certificates are issued in Uzbek or Russian and are valid for:

- up to one calendar year - on the basis of a foreign trade contract/agreement copy;
- up to one year - for each batch of environmentally hazardous products and waste;
- for three years - for serial production.

Changes in the privatisation of state assets

Presidential Decree dated 11 February 2021 outlining measures to further accelerate the privatisation of state assets has introduced a procedure for putting up state assets for public auction and sale:

- professional organisations are involved through the State Assets Management Agency or the UzAssets investment company based on best proposals. Contracts with organisations do not require a review;

- the bidding process may use the value or a range of values determined by professional organisations as the benchmark for the sale of state assets, regardless of the requirements of national valuation standards;
- a mandatory value in an appraisal organisation valuation report and regard as an expert opinion is no longer required as the starting price for state assets;
- the State Tender Commission for the Sale of State Assets is authorised to make decisions on announcing a sale of assets without declaring the starting price or a sale of assets based on the best of at least two offers, regardless of the price recommended in an evaluation report as an expert opinion.

The State Asset Management Agency, together with the interested ministries and departments, was instructed by 1 August 2021 to introduce a procedure to select appraisal organisations for the privatisation of state assets based on the best commercial proposals.

New construction sector public procurement system

Resolution of the Cabinet of Ministers No. 55 dated 5 February 2021 introduces a new public procurement system for the construction sector which stipulates that:

- general and technical tender documentation sections for electronic tenders no longer need to be submitted;
- tender documentation and technical specifications are reviewed exclusively by assessing the volume of goods (work or services) and their pricing structure;
- entities cannot participate in tenders if their financial liabilities for the current year exceed 1.5 times the volume of work performed by construction and contracting organisations in one of the last three years;
- the funds saved after a tender, without affecting quality and volume in relation to the contractual price, are left at the disposal of the contractor.

The Resolution also requires construction tenders be held online with the help of special information portal operators.

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