



Legal alert

Overview of key legislative changes in December 2019

New version of the Bankruptcy Law

A new version of the Law "On bankruptcy" has been adopted in accordance with the Law "On amendments and additions to the Law of the Republic of Uzbekistan 'On Bankruptcy'" from 13 December 2019.

According to the new version of the Law, debtor bankruptcy is described as the debtor's inability to meet creditor claims for monetary obligations and/or make obligatory payments:

- if the claims against a legal entity debtor total at least 300 times the base calculation rate ("BCR"), (the BCR equals approximately 23 USD) (previously - 500 times the BCR);
- for individual entrepreneur debtors or individuals who have lost the status of individual entrepreneur - at least 20 times the BCR (previously 30 times the BCR).

The new version of the Law has also reduced the consideration period for bankruptcy cases in economic courts to 1 month down from the previous 2 months.

Also, according to the amendments, a settlement between a debtor and creditors is not treated as bankruptcy proceedings. A debtor and creditors are entitled to reach an amicable agreement at any stage of a bankruptcy case consideration in an economic court.

Resolution of the Cabinet of Ministers on the procedure for registering employment relations with the INES

On 5 December 2019, the Cabinet of Ministers adopted a Resolution detailing organisational measures to

ensure the implementation and operation of the Integrated National Employment System ("INES"), such as the procedure for registering employment contracts between employees and employers; forming and maintaining electronic employment books in the INES).

The use of the INES is mandatory for all employers in the registration of employment relations.

If an employer does not have the hardware or software, or if other reasons exist that make independent authorisation in the INES impossible, authorisation can be obtained from the employment authorities free of charge.

US\$ 150 million loan agreement between Uzbekistan and the Asian Development Bank ("ADB")

To further strengthen agricultural economic reforms, on 13 November 2019, Uzbekistan and ADB signed a 25-year loan agreement for US\$ 150 million to finance a project to "develop the creation of a livestock sector value chain" with interest at 2% per annum, including a grace period of 5 years.

The project is due to be implemented over 5 years (2020-2024) across the entire country.

Land plot privatisation

On 2 December 2019, the Cabinet of Ministers, in accordance with Presidential Decree No. UP-5780 from 13 August 2019, approved a resolution on the pilot procedure for privatising non-agricultural land plots in Syrdarya region.

The legal experiment to test the privatisation of non-agricultural land plots will be carried out in accordance with the Law on the Privatisation of Non-Agricultural Land Plots, which will enter into force on 1 March 2020.

Under the experiment, non-agricultural land plots in Syrdarya

region will be privatised by private and legal entities through the "YERHUSUSIYLASHIRISH" automated information system.

Applicants either apply directly to local state service centres, or register on the Integrated State Service website.

Available land plots in Syrdarya region will be privatised through open "E-IJRO AUKSION" electronic online auctions. Closed auctions will not be permitted.

Presidential Resolution on Public Procurements

On 5 December 2019, the President signed a Resolution introducing measures to further improve the public procurement system.

It focuses on ensuring targeted spending and increasing corporate clients' effective use of funds, including legal entities and enterprises of strategic importance, by ensuring the transparency of the public procurement system and its further improvement, and the wide involvement of business entities in the public procurement process.

From 1 January 2020, businesses and enterprises of strategic importance must place an announcement on a special public procurement information website before making a "best offer" public procurement. Any such announcement should indicate a period of at least 15 days for the procurement commission to accept proposals and the information stipulated in article 52 of the Public Procurement Law.

Likewise a period of two working days should be allocated for public discussion by the procurement commission on the selection of the best proposals.

Also, information on contracts concluded during the public

procurement process should be entered in the register of contracts concluded with state purchasers, no later than three business days from the conclusion date.

The Resolution also establishes a procedure whereby starting from 1 January 2020, state purchasers are entitled to make public purchases by region (Republic of Karakalpakstan, regions and Tashkent City) from domestic manufacturers (contractors, service providers).

A "roadmap" has also been approved to aid the transformation of public procurement procedures to the electronic format through tender bidding using information and communication technology.

New excise rates in the State Budget for 2020

A Law from 12 December 2019 has approved new excise rates for 2020 on excisable goods (services) produced (provided) in Uzbekistan.

According to Appendix No. 8 of the Law, the new excise tax rates are as follows:

From 1 January 2020:

- Vodka and other alcoholic products (for 1 dal of finished product) – 98 000 sums
- Filter and filter-free cigarettes, papirosy - 141 500 sums / 1 000 pieces + 9%
- AI-80 gasoline - 200 000 sums / tonne
- Diesel – 250 000 sums / tonne
- Natural gas, including for export - 20%
- Liquefied gas sold by manufacturing enterprises (with the exception of gas sold to the public through Uztransgaz), including for export - 30%

From 1 April 2020:

- Vodka and other alcoholic products (for 1 dal of finished product) - 107 800 sums
- Filter and filter-free cigarettes, papirosy - 152 800 sums / 1 000 pieces + 9%
- AI-80 gasoline - 200 000 sums / tonne
- Diesel – 250 000 sums / tonne
- Natural gas, including for export - 20%
- Liquefied gas sold by manufacturing enterprises (with the exception of gas sold to the public through Uztransgaz), including for export - 30%

Law on Investments and Investment Activities - new benefits and preferences

The new Law on Investments and Investment Activities dated 25 December 2019, while retaining the previous guarantees of investor rights, also provides new benefits and preferences in the form of:

- Investment tax credits, which are a form of changing tax obligation deadlines, whereby the taxpayer investor is given the opportunity to reduce tax payments due with a subsequent phased payment of loans and accrued interest in accordance with the Tax Code;
- Investment subsidies, which are financial assistance provided in the form of investment preferences to implement an investment project to ensure the necessary engineering and communication conditions, and provide benefits (can also be provided as tax and customs benefits).

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