



Legal alert

Overview of key legislative changes in Uzbekistan in October 2020

New business review procedure

According to a new version of the Law *On Guarantees of the Freedom of Entrepreneurial Activity*, from 10 November 2020, reviews, with the exception of desktop tax audits, will be registered in the Integrated Review Electronic Registration System. Any review are not registered will be considered unlawful. The regulatory authorities entire results in the system within three days of the review being completed. Entrepreneur reviews will be initiated based on risk analysis results.

Exporters to receive extended financial support

According to a Presidential Decree introducing measures to further extend financial support for export activities, exporters, including those whose main activity is trade mediation, will be eligible for the following assistance from the State Fund for Entrepreneurial Support until 1 January 2022:

- compensation for loans allocated for pre-export financing purposes, including working capital, regardless of commercial bank interest and loan amount, of:
 - up to 50% of loan interest of up to 10 percentage points in soum;

- up to 50% of loan interest of up to 5 percentage points in foreign currency;
- security for commercial bank loans provided for pre-export financing, including working capital, of up to 50% of the loan amount, but not more than 8 billion soum;
- compensation and/or security for additional pre-export financing loans, including working capital, regardless of the existence of debts on previously received loans, subject to a positive credit history;
- a 50% reduction on commission for guarantees provided.

The Export Promotion Agency provides commercial banks with one-off financial resources to provide export-related trade loans and pre-export financing up to the amount not exceeding the equivalent of USD \$1 million for up to one year.

These financial resources cannot be extended to exporters who have not fully repaid loans issued to them by the Export Promotion Agency.

The State Fund for Entrepreneurial Support does not provide compensation where commercial banks have made loans for export-related trade operations or pre-export financing from financial resources allocated by the Agency.

Changes in currency control

A State Tax Committee Resolution dated 12 October 2020 has amended and added to Regulations for monitoring the validity of foreign exchange transactions by legal entities and individuals.

Regional state tax administrations and the Interregional State Tax Inspectorate for Major Taxpayers have been appointed to obtain exchange transaction information from banks and regional customs authorities. The information is now provided separately for each billing month (previously, information was provided on an accrual basis from the beginning of the year)

The resolution has expanded the list of offshore zones for which foreign exchange transactions are now subject to foreign exchange monitoring to include American Samoa, Aruba, Guatemala, Dominica, Kiribati, Monaco, Alderney (Channel Islands), Pitcairn, San Marino, Saint Martin (Sint Maarten), Uruguay and the Philippines.

The tax authorities now assess any information received, including electronically. If violations are detected, the entity in question is asked to provide additional information and/or supporting documentation within 5 business days of receiving the request. Legal measures are not applied during monitoring and the entity's activities are not suspended.

Reformation and privatisation of state-owned enterprises

On 28 October 2020, the president signed a decree to reduce the number of and reform remaining state-owned enterprises, at the same time approving:

- the major state-owned enterprises and business associations subject to transformation;
- the enterprises with state participation in which corporate governance and financial audits are being introduced and operational efficiency increased;
- the state assets to be put up for public auction through targeted pre-privatisation programmes and programmes to increase investment attractiveness;
- the enterprises whose state shares are being sold in full to the private sector through public auctions;
- the immovable state property sold to the private sector;
- the persons responsible for offering state shares for public trading;
- the updated composition of the State Tender Commission for state assets.

The decree also established that state shares are put up for auction in single lots. If state assets worth up to 100 million soum have not been sold within 3 months, they are re-offered for auction as follows:

- shares - at the starting price of 1 soum,
- blocks of shares - based on the principle of "1 share - one lot for 1 soum".

State facilities that were previously sold for "zero" value are now put up for public auction at a starting price of "1 soum" in conjunction with investment and social obligations based on regional authority decisions.

New regulation to regulate rotation-based shifts

On 9 October 2020 the Cabinet of Ministers issued a resolution outlining Regulations on the process for introducing rotation-based shifts for construction and installation work at important and remote sites, the related hiring procedure and working conditions.

According to the new Regulations, a relocation due to a workplace change is not considered a transfer to another job, and a rotation-based shift is not considered a business trip. Shift time includes the time spent at work on site and rest periods between shifts.

The Regulations also cover issues such as organizational management, compensation and benefits, social welfare and medical care.

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