All of the information included in this guide is for information purposes only and may not reflect the most current legal developments. This information is not offered as legal or any other advice on any particular matter. The Firm and the contributing authors expressly disclaim all liability to any person in respect of anything, and in respect of the consequences of anything, done or omitted to be done wholly or partly in reliance upon the whole or any part of the contents of Baker & McKenzie's Doing Business in Uzbekistan guide. No client or other reader should act or refrain from acting on the basis of any matter contained in this guide without first seeking appropriate legal or other professional advice.
# Table of Contents

**Preface** ................................................................................................................. 1

1 Uzbekistan - An Overview ................................................................. 3

   1.1 Geography and History ......................................................... 3
   1.2 Population ........................................................................ 3
   1.3 Political System and International Relations ...................... 4
   1.4 Economy ......................................................................... 5
   1.5 Regional Structure ............................................................ 6

2 Establishing a Legal Presence .................................................. 7

   2.1 Representative Offices and Branches .................................. 7
   2.2 Uzbek Legal Entities ....................................................... 7
   2.3 Joint Stock Company ....................................................... 8

      2.3.1 General ............................................................ 8
      2.3.2 Charter Capital .................................................. 8
      2.3.3 Shares .............................................................. 9
      2.3.4 General Meeting of Shareholders ......................... 10
      2.3.5 Supervisory Board ............................................. 11
      2.3.6 Executive Body ................................................. 12
      2.3.7 Minority Shareholders’ Committee ...................... 12
      2.3.8 Audit Commission, Internal and External Audit .... 13
      2.3.9 Corporate Consultant .......................................... 14
      2.3.10 Constituent Documents ...................................... 14

2.4 Limited Liability Company .................................................. 14

      2.4.1 General .......................................................... 14
      2.4.2 Charter Capital ............................................... 15
      2.4.3 Management ..................................................... 15
      2.4.4 Audit Commission, Internal and External Audit .... 15
      2.4.5 Constituent Documents ...................................... 17

2.5 Additional Liability Company ............................................. 17

2.6 Registration of Legal Entities ............................................ 18
5.4.4 Water Use Tax ............................................... 39
5.5 Property and Land Taxes ............................................ 40
  5.5.1 Property Tax .................................................. 40
  5.5.2 Land Tax ........................................................ 40
  5.5.3 Miscellaneous Taxes ..................................... 41
5.6 Penalties ........................................................................ 41
5.7 Double Taxation Treaties ............................................ 42
5.8 Export and Import Taxes and Duties .......................... 47
  5.8.1 Export Duties ................................................. 47
  5.8.2 Import Customs Duties .................................. 48
  5.8.3 VAT on Imports .............................................. 48
  5.8.4 Excise Tax on Imports ................................... 48
5.9 Tax Concessions ....................................................... 49
5.10 Transfer Pricing ......................................................... 49
5.11 Controlled Foreign Companies .................................. 50
5.12 Thin Capitalization ..................................................... 51

6 Employment ........................................................................... 52
  6.1 Introduction ................................................................ 52
  6.2 Workbooks ................................................................ 52
  6.3 Probationary Period .................................................. 52
  6.4 Minimum Wage ........................................................ 52
  6.5 Working Week ........................................................... 53
  6.6 Holidays and Vacations ............................................. 53
  6.7 Sick Leave ................................................................. 53
  6.8 Maternity Leave ......................................................... 54
  6.9 Dismissal ................................................................... 54
  6.10 Foreign Workers in Uzbekistan ................................. 55

7 Property Rights ...................................................................... 57
  7.1 General Provisions .................................................... 57
  7.2 Limitations on Ownership of Land ............................. 57
  7.3 Securing Obligations .................................................. 59

8 Specific Industries ................................................................. 61
  8.1 Natural Resources ....................................................... 61
11.5 Opportunities Available to Foreign Investors ............ 81

12 The Judicial System and Dispute Resolution ..................... 83
  12.1 Uzbek Judicial System .............................................. 83
  12.2 Judges ..................................................................... 83
  12.3 Settlement of Economic Disputes ............................. 83

13 Intellectual Property ............................................................... 86
  13.1 General Provisions .................................................... 86
  13.2 The IP Agency ........................................................... 87
  13.3 Inventions, Utility Models, Industrial Designs and
       Selection Achievements ............................................ 87
  13.4 Trademarks, Service Marks and Appellations of
       Origin of Goods .......................................................... 88
  13.5 Copyrights and Related Rights ................................. 89
  13.6 Computer Programs and Databases ......................... 89

14 Anti-Monopoly Regulation ..................................................... 90
  14.1 General .................................................................... 90
  14.2 Control over Economic Concentrations .................... 91
  14.3 Unfair Competition Restrictions ............................... 91
  14.4 Liability for Violation of Anti-Monopoly Legislation .... 93

15 Product Liability ............................................................... 94
  15.1 Product Liability ....................................................... 94
  15.2 Certification ............................................................ 94

16 Climate Change ..................................................................... 96
  16.1 Introduction ................................................................ 96

17 Language Policy .................................................................... 97

18 Compliance with Anti-Corruption Regulations................. 98

19 Data Protection.......................................................................... 100
  19.1 General ..................................................................... 100
  19.2 Scope of the Law ..................................................... 100
  19.3 Definition of “personal data” ..................................... 100
  19.4 Main rules ............................................................... 100
  19.5 Trans-border flow of personal data ......................... 102
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.6</td>
<td>Localization requirement</td>
<td>102</td>
</tr>
<tr>
<td>19.7</td>
<td>Consequences of non-compliance</td>
<td>102</td>
</tr>
</tbody>
</table>
Preface

Baker & McKenzie provides sophisticated legal advice and services to the world’s most dynamic global enterprises, and has done so for more than 50 years.

With a network of more than 4,700 locally qualified, internationally experienced lawyers in 78 offices across 46 countries, we have the knowledge and resources to deliver the broad scope of quality services required to respond effectively to both international and local needs – consistently, with confidence and with sensitivity for cultural, social and legal differences.

Active in the USSR and the Commonwealth of Independent States (CIS) for over 40 years, with offices in Almaty, Kyiv, Moscow and St. Petersburg, we now have one of the largest legal practices in the CIS, offering expertise (in close cooperation with our offices worldwide) on all aspects of investment in the region including energy and natural resources, corporate law, banking and finance, securities and capital markets, venture capital, competition law, tax and customs, real estate and construction, labor and employment, intellectual property, and dispute resolution.

The hub of our Central Asian practice, which covers Uzbekistan and the other countries of Central Asia, has been based in Almaty since 1995.

Since gaining independence in 1991, Uzbekistan has adopted new legislation at a rapid pace. It remains a country in transition and its legal system continues to develop. Doing Business in Uzbekistan has been prepared as a general guide for companies operating or considering investment in Uzbekistan. The guide is intended to present an overview of the key aspects of the Uzbek legal system and the regulation of business activities in this country.
The information contained in this guide is current as of 1 January 2021. We will be pleased to provide you with updates on the material contained in this guide, or to provide you with further information regarding a specific industry or area of Uzbek law in which you may have a particular interest.

Baker & McKenzie - CIS, Limited

1 January 2021
1 Uzbekistan - An Overview

1.1 Geography and History

Uzbekistan is the geographic, economic and cultural heart of Central Asia. With approximately 33 million people, Uzbekistan is by far the most populous of the five Central Asian republics of the former Soviet Union. Tashkent, Uzbekistan’s capital city, has a population of more than 2.5 million. Lying on the ancient Silk Road between Europe and the Far East, the cities of Samarkand, Bukhara and Khiva have been centers of commerce and trade for centuries and have undergone revivals since the dissolution of the Soviet Union. The legendary Uzbek warrior Amir Temur (Tamerlane) conquered vast areas of Asia during the 15th century and every year hundreds of thousands of tourists visit the famous tile-clad mosques, madrassas and other monuments built during his reign.

Though not the largest Central Asian country in size, Uzbekistan is still larger than the combined area of the United Kingdom, Belgium, Denmark, Switzerland and Austria. It is the only country to border each of the other four Central Asian republics, as well as Afghanistan.

The western and central areas of Uzbekistan are extremely dry and arid. Due to years of excessive irrigation and ecological mismanagement during the Soviet era, the Aral Sea basin (shared with Kazakhstan) has shrunk and lost much of its natural wealth. The region around Tashkent and the Fergana Valley to the east enjoy relatively temperate climates and are rich centers of agriculture, supplying fruit, vegetables, dairy products and other foodstuffs throughout Central Asia and neighboring countries.

1.2 Population

The population of Uzbekistan is approximately 33 million. The most significant population centers (apart from Tashkent) are Samarkand, Namangan, Andijan, Ferghana and Bukhara.
1.3 Political System and International Relations

The Republic of Uzbekistan (as it is formally known) declared its independence from the Soviet Union on 31 August 1991. Accordingly, Independence Day is celebrated every year on 1 September. Uzbekistan is a presidential republic and has had a bicameral parliament since 2004. The Parliament (formally known as the Oliy Majlis) consists of the Legislative Chamber (the lower chamber) and the Senate (the upper chamber). The Head of State is the President, Shavkat Mirziyoyev, who was elected in 2016, after the sudden death of the previous President, Islam Karimov, who had been holding the position since 1991. President Mirziyoyev held the position of the Prime Minister of Uzbekistan since 2003 before becoming a President.

A party system has been in development since independence from the Soviet Union. While there are a number of political parties, groups and various movements, there appears to be no organized opposition to the President. At the present time the party that has the largest number of representatives in the Legislative Chamber of Oliy Majlis (53 out of 150) is the Liberal Democratic Party of Uzbekistan. Both, the first President Karimov and the current President Mirziyoyev were elected on behalf of the Liberal Democratic Party.

The Government (formally known as the Cabinet of Ministers) of Uzbekistan consists of the Prime Minister, deputy prime ministers, ministers and heads of various state committees, as well as the head of the Karakalpakstan government. The political party that receives the most votes during the election to the Legislative Chamber of the Oliy Majlis recommends a candidate for prime minister (currently, Abdulla Aripov) to the President, who then submits this candidate to both chambers of the Oliy Majlis for approval. The Prime Minister recommends the members of the Cabinet of Ministers, who are then appointed by the President of Uzbekistan after obtaining approval from the Legislative Chamber of Oliy Majlis.
Uzbekistan is a member of the Commonwealth of Independent States (CIS), the United Nations, the International Monetary Fund, the World Bank, the European Bank for Reconstruction and Development, the Organization for Security and Cooperation in Europe, the Asian Development Bank, the Organization of the Islamic Conference, and several other international organizations. Uzbekistan is planning to join the World Trade Organization in near future, and is also considering joining the Eurasian Economic Union. Together with Russia, China, Kyrgyzstan, Tajikistan and Kazakhstan, Uzbekistan is a member of the Shanghai Cooperation Organization. Originally formed to deal with border issues, this organization now also deals with combating terrorism, drug and weapon smuggling and other issues.

1.4 Economy

The current President is known for his efforts to liberalize economy and attract foreign investments. The development strategy for 2017-2021 approved by the President provides for a detailed step plan to improve social, economic and political positions in the world. Previously, cotton had been one of the most important export products. However, during the last years the share of cotton in Uzbekistan’s exports has been decreased due to the Government’s efforts aimed at diversification of exports (the products with increased export share include fruits, chemicals and oil gas.) Gold is another significant export, with production mostly coming from the Muruntau gold mine in the Navoi viloyat (region). The mining industry also produces significant amounts of silver, uranium and copper. Natural gas production is increasing and has recently become one of Uzbekistan’s main export commodities. Gross Domestic Product (purchasing power parity) in 2019 was approximately US $ 57,921 million.¹

¹ https://databank.worldbank.org/data/download/GDP.pdf
Inflation of consumer prices in 2020 was 11.1%\(^2\). The Central Bank's benchmark interest rate comprises 14%. The country's GDP in 2020 grew by 0.6%.

1.5 Regional Structure

Uzbekistan consists of 12 viloyats (regions), Tashkent city and the autonomous Republic of Karakalpakstan. As a result of Uzbekistan's highly centralized form of government, the constituent regions have little political power. A 'khokim' (governor) is appointed by the President for each viloyat and Tashkent city. Karakalpakstan has its own head of Government, who is subordinate to the President of Uzbekistan.

2 Establishing a Legal Presence

2.1 Representative Offices and Branches

A foreign legal entity may establish a representative office to represent its interests in Uzbekistan. A representative office is a subdivision of a foreign legal entity and is not entitled to conduct business activity which would result in income being generated in Uzbekistan. A representative office acts on the basis of a “Regulation” (similar to a charter or company by-laws) and is managed by an individual authorized by the parent company under a power of attorney.

A branch is another type of a subdivision of a legal entity in a geographic area other than where the head office is located, which may fulfill all or part of the functions of its parent company, including income-generating business activity. At the present time, however, it is impossible in practice to establish a branch of a foreign entity in Uzbekistan. This is mainly due to the absence of the necessary legal framework dealing with the process of registering a branch of a foreign legal entity.

For commercial operations there is also an option of registering a permanent establishment (PE) with the Uzbek tax authorities.

2.2 Uzbek Legal Entities

The following types of commercial legal entities may be formed under Uzbek law:

- Joint stock companies;
- Limited liability companies and additional liability companies;
- General business partnerships and limited business partnerships;
- Production cooperatives; and
• Private enterprises and unitary (state) enterprises.

The legal entities most commonly used by foreign businesses in Uzbekistan are described below.

2.3 Joint Stock Company

2.3.1 General

A joint stock company (“JSC”) is a legal entity which provides its shareholders with limited liability to the extent of the value of their shareholding. Shareholders who have not fully paid for their shares bear joint and several liability for the JSC’s obligations to the extent of the unpaid portion of the value of their shares. The number of founders of a JSC is unrestricted. Generally, shareholders of a JSC may freely dispose of their shares without the consent of other shareholders. In a JSC with not more than 50 shareholders, the JSC’s charter may provide other shareholders and/or the JSC with a preemptive right to acquire shares sold by a shareholder at the price and on the terms offered to a third party. There is no exception for affiliates of a shareholder intending to sell shares.

A JSC may have a public subscription for shares and sell them freely, in compliance with the JSC Law. Alternatively, a JSC may have a closed subscription for shares, except in cases where such closed subscription is limited by the company charter or by the JSC Law.

2.3.2 Charter Capital

The charter capital of a JSC comprises the nominal value of the company’s shares held by the shareholders. All shares must have the same nominal value. The nominal value of preferred shares distributed may not exceed 20% of the company’s charter capital. There is no statutory minimum charter capital requirement for a JSC. However, for JSCs which are engaged in licensable activities there

---

may be minimum charter capital requirement (e.g. banking, insurance, etc.) A JSC’s charter capital may be decreased by reducing the nominal value of shares or by reducing the total number of shares placed by the JSC (through buy-out or cancellation), or increased by placing new shares. The charter of a JSC may also provide for an authorized charter capital up to the amount of which the actual charter capital amount may be increased over time. The authorized charter capital is comprised of the nominal value of the company’s authorized shares, in addition to those shares which have already been issued and placed.

2.3.3 Shares

Shares in a JSC must be registered. They may be either preferred or common. The nominal price of a share may not be more than 5,000 Soums.

Preferred shares give their holders a priority right to receive dividends and other rights as stipulated in the JSC Law. Common shares cannot be converted into preferred shares.

Each share provides a shareholder with equal rights, i.e. a shareholder has voting rights proportionate to the number of shares it has (unlike a participant in an LLC who may have voting rights disproportionate to his/her participation in the charter capital of an LLC).

A shareholder must pay for its shares in full within one year after the registration of the JSC or, for further issues of shares, within the time specified by the decision on such further issuance. Payment for shares may be made in cash or (if permitted by the foundation agreement, the decision to establish the JSC or decision for the issue of the shares) may be made in other assets which have a monetary value. However, if the nominal value of shares acquired for such assets exceeds an amount equivalent to 200 Base Calculation Unit (“BCU”), such assets must be appraised by an independent appraiser.
As of 1 February 2020, the BCU is 223,000 Soums (approximately US$ 22).

The company’s charter or the General Meeting of Shareholders may specify the forms and terms for the distribution of shares: i.e., open (offered to an unrestricted number of persons) or closed (offered to a predetermined list of persons). Shares must be paid for based on their fair market value, other than on the founding of a JSC when shares are paid for by the founders at their nominal value. All transactions involving open distribution of shares in a JSC must be carried out through a stock exchange or through organized off-exchange trades. A JSC may issue securities which may be further converted into shares pursuant to the terms stipulated in the company charter and in subsequent resolutions of the General Meeting of Shareholders. All shareholders must be registered in the shareholders’ register, which must indicate the number of shares issued, their nominal value, the category of registered securities belonging to each shareholder and contact details for the shareholder.

The Government on behalf of the state may introduce, at the time of privatization, a “golden shares” in a JSC which has strategic importance for the country, and in which the state has either no share or a shareholding not exceeding 25% of the charter capital. The “golden share” has no monetary value, cannot be disposed of or encumbered and is not counted in the determination of the charter capital or the payment of dividends. It only entitles the state to appoint one representative to the Supervisory Board of the JSC together with a right to veto certain important decisions which may be taken by the Supervisory Board or the General Meeting of Shareholders.

2.3.4 General Meeting of Shareholders

The supreme management body of the JSC is the General Meeting of Shareholders (“GMS”). The GMS must be held at least once a year. A meeting of shareholders other than the annual meeting is considered to be an extraordinary meeting. In a JSC in which all common shares
belong to one shareholder, the GMS is not held and the decisions of the company are adopted in the form of the shareholder’s written resolutions. Issues of high priority connected with the company’s management, administration, business policy, corporate structure, finances, elections and other issues are within the exclusive competence of the GMS.

With certain exceptions, the decisions which fall within the exclusive competence of the GMS may not be delegated to any other body of the JSC. In certain limited cases (such as increase in the company’s charter capital, issuance of securities which may be further converted into shares, etc.), the decisions in the competence of the GMS may be delegated to the Supervisory Board.

For most decisions, a simple majority of voting shares is sufficient (i.e., more than 50%). A super-majority vote at the GMS (i.e., at least 75%) is required for certain matters. Decisions of the GMS cannot be adopted through absentee voting.

The GMS is valid if shareholders collectively holding more than 50% of the votes register and attend either in person or by proxy. In the absence of a quorum, another GMS is held, and it is deemed quorate if shareholders representing more than 40% of all voting shares register for the meeting.

2.3.5 Supervisory Board

The Supervisory Board is responsible for the overall management of the JSC, with the exception of those issues which are within the exclusive competence of the GMS. Where there are fewer than 30 holders of voting shares, the company’s charter may stipulate that the functions of the company’s supervisory board be performed by the GMS. Decisions of the Supervisory Board may be adopted through absentee voting, but only if they are approved unanimously by all Supervisory Board members.
The number of members of the Supervisory Board is to be set in the charter of the company. The JSC Law does not set a minimum number of members, with the exception of companies that have more than 500 or 1000 shareholders, for which there have to be at least 7 or 9 Supervisory Board members respectively. The Supervisory Board members are elected by shareholders through a cumulative voting.

2.3.6 Executive Body

The Executive Body manages the company’s day-to-day activities through a General Director (chief executive officer) or a Directorate (collective executive body). The General Director or Directorate headed by the Chairman generally acts and carries out any and all actions in the name and on behalf of the JSC, with exception of issues within the exclusive competence of the GMS or Supervisory Board under the JSC Law or the company’s charter. The General Director and members of the Directorate may incur joint and several liability for their actions.

2.3.7 Minority Shareholders’ Committee

A JSC may establish a Minority Shareholders’ Committee to protect the interests of its minority shareholders. Minority Shareholders’ Committee members are elected by the General Meeting of Shareholders. The number of the Minority Shareholders’ Committee members is set forth in the JSC’s charter.

Minority Shareholders’ Committee members can be elected only by those shareholders who have not proposed their candidates to the Supervisory Board or whose candidates have not been elected to the Supervisory Board. The JSC’s Director (or Directorate), Supervisory Board members and Revision Commission members cannot be elected to the Minority Shareholders’ Committee.

The Minority Shareholders’ Committee has limited powers, which include participation in preparation of proposals involving major transactions and affiliated party transactions, reviewing minority
shareholders’ communications related to protection of their interests, submission of applications to a competent state authority requesting protection of minority shareholders’ interests, and other issues provided for under the JSC Law or the JSC’s charter.

The decisions of the Minority Shareholders’ Committee are adopted by a majority vote, where each member has only one vote. The meeting of the Minority Shareholders’ Committee is quorate if not less than 75% of its members are present at the meeting. The Minority Shareholders’ Committee reports annually to the GMS on its adopted decisions.

2.3.8 Audit Commission, Internal and External Audit

As required by the JSC Law, the Audit Commission (usually referred to as the Revision Commission) monitors the financial and business activity of the company. The Audit Commission’s competence should be specified in the charter of the JSC and in regulations approved by the GMS.

The Audit Commission may conduct an audit on its own initiative, following a decision of the GMS or the Supervisory Board or at the request of shareholder(s) holding, in aggregate, not less than 5% of the voting shares.

Members of the Audit Commission cannot simultaneously be members of the Supervisory Board or hold any other position at the JSC.

A JSC having a balance value of more than 100,000 times the BCU (approximately US$ 2,230,000) must also have an Internal Audit Service. The Internal Audit Service audits and monitors the operations of the executive bodies of JSC and its branches and representative offices through review of business and financial documents. The Internal Audit Service is accountable to the Supervisory Board of the JSC and carries out its activity in accordance with the regulations adopted by the Cabinet of Ministers of Uzbekistan.
If shares of a JSC are listed on a stock exchange, the JSC must create an audit committee consisting solely of members of the Supervisory Board. In such case Internal Audit Service would be accountable to the audit committee.

2.3.9 Corporate Consultant

A JSC’s charter may provide for a Corporate Consultant position. The Corporate Consultant, if any, reports to the Supervisory Board and oversees the JSC’s compliance with Uzbek corporate laws.

2.3.10 Constituent Documents

A JSC must have a charter, which is to be approved by the shareholders and registered with the state registration authorities. The charter should provide for the amount of the charter capital, shares in a JSC, management and other bodies of a JSC, etc. A JSC may also have its internal regulations (by-laws) regulating formation, rights and obligations of management and other bodies of the JSC, and other issues.

2.4 Limited Liability Company

2.4.1 General

A Limited Liability Company (“LLC”) is a company established by one or more individuals or legal entities with a charter capital divided into participatory interests, the size of which is determined by its foundation documents. In contrast to JSC, participatory interests in an LLC are not securities. As of 21 July 2020, LLC is permitted to issue corporate bonds.

The foundation documents of an LLC established by two or more participants include the foundation agreement and the charter. If an LLC is established by only one participant, its foundation document is the company’s charter; if subsequently there are at least two participants, they will need to enter into a foundation agreement.
The participants in an LLC are not liable for the LLC’s obligations and they only bear the risk of losses connected with the company’s activities up to the limit of the value of their individual contributions. Participants in the company who have not paid up their contributions in full are jointly liable for the LLC’s obligations to the extent of the unpaid part of their contribution. The liability of the company is limited to the extent of its assets.

2.4.2 Charter Capital

The size of LLC’s charter capital must be determined by the charter. The charter capital is comprised of the nominal value of participatory interest of its participants. There is no statutory minimum charter capital requirement of an LLC. However, for LLCs which carry out certain licensable operations there may be minimum charter capital requirement. Each of the participants must pay its declared charter capital contribution within the term established by the LLC’s foundation documents, which cannot exceed one year from the day of its registration.

2.4.3 Management

The supreme management body of an LLC is the General Meeting of Participants ("GMP"). Certain matters set forth in the LLC Law\(^4\), such as change size of charter capital, amendments to foundation documents, approval of annual reports, election of other management bodies, conduction of audit, reorganization and liquidation of the LLC, are within the exclusive competence of the GMP. The GMP is convened at least once a year. Participants jointly holding at least 10% of votes have the right to demand an extraordinary GMP at any time and for any reason. Each participant has a number of votes at the GMP proportionate to his/her share in the charter capital of the LLC, unless the charter provides for disproportionate voting rights.

For most decisions, a simple majority of the participants of the LLC is sufficient. A qualified majority vote of at least two-thirds of the participants or unanimous vote is required for certain issues of high priority.

An LLC is required to have a General Director (chief executive officer) or a Management Board (collective executive body) responsible for conducting the day-to-day management of the company. The General Director or the members of the Management Board are elected at the GMP. The General Director or the Chairman of the Management Board carries out any and all actions in the name and on behalf of an LLC with exception of issues within the competence of the higher bodies, such as the GMP. An LLC may also have a Supervisory Board to handle some of the issues generally within the non-exclusive competence of the GMP. In contrast to a JSC, the LLC Law does not provide for cumulative voting for election of the members of Supervisory Board or Management Board.

2.4.4 Audit Commission, Internal and External Audit

The Audit (or Revision) Commission or an auditor may monitor the financial and business activity of an LLC. The charter of an LLC may provide for an external audit company unrelated to the company or its participants to act in place of the Audit Commission. An LLC with more than 15 participants must have an Audit Commission (or an auditor). The members of the Supervisory Board (if applicable), the Director or the members of the Management Board cannot be elected as members of the Audit Commission (or as an auditor) of an LLC. The members of the commission are normally elected from among the participants of LLC. Nevertheless, a person who is not a participant of an LLC may be elected as a member of the Audit Commission or as an auditor of an LLC. The number of members of the Audit Commission should be specified in the charter. The Audit Commission confirms the annual reports and balance sheets of an LLC before their approval by the GMP.
An LLC having a balance value of assets more than 1 billion Soums (approximately US$ 90,000) must have an Internal Audit Service. An Internal Audit Service audits and monitors the operations of the executive body of the LLC and its branches and representative offices by reviewing business and financial documents. The Internal Audit Service is accountable to the Supervisory Board of the LLC and carries out its activity in accordance with the regulations approved by the Cabinet of Ministers of Uzbekistan.

An LLC having a balance value of assets more than 100,000 times BCU (approximately US$2,230,000) must engage an external audit company to annually audit its financial reports and balance sheet. Other LLCs may also engage an external auditor at their discretion.

2.4.5 Constituent Documents

An LLC must have a charter, which is to be approved by the participants and registered with the state registration authorities. The charter should provide for the amount of the charter capital, shares in an LLC, rights of the participants of an LLC, information about management and other bodies of an LLC (GMP, supervisory board, executive body, revision and audit commission), etc. If an LLC has more than one participant, it shall also have a foundation agreement, which is also to be approved by the participants of the LLC and registered with the state registration authorities. The foundation agreement should regulate the formation of the LLC, the size of participatory interest of each participant in the charter capital of LLC, their rights, distribution of dividends and other issues. An LLC may also have its internal regulations (by-laws) regarding the formation, rights and obligations of management and other bodies of LLC, and other issues.

2.5 Additional Liability Company

An Additional Liability Company (“ALC”) is a company established by one or more individuals or legal entities with a charter capital divided into participatory interests which are not securities. The foundation
documents of an ALC are the same as for an LLC, i.e., the foundation agreement and the charter (or only the charter where an ALC is established by one person).

An ALC has virtually the same organizational structure as an LLC. The main difference relates to the liability of the participants. Participants in an ALC have broader liabilities in comparison to an LLC where liability is limited to the value of the participants' contributions. In contrast to an LLC, the foundation documents of an ALC may provide for the joint and several liability of its participants to be a multiple of their capital contributions. The multiple liability must be the same for all participants. If one of the participants becomes insolvent (bankrupt), liability for the company’s obligations is shared among the other participants in proportion to their contributions unless the company’s foundation documents provide otherwise.

2.6 Registration of Legal Entities

2.6.1 General

Procedures for the registration (formation) of a legal entity that meets the requirements for an EWFI (as described in Section 3.2) is similar to the procedures applicable to a locally owned company.

Companies must be registered with the relevant Center for State Services under the Ministry of Justice.

2.6.2 Registration Procedures

The procedure for state registration of companies whose principal activity does not require a license is set forth in the Regulation on the Procedure for State Registration of Business Entities.\(^5\) This Regulation provides a unified checklist of registration documents irrespective of the amount of foreign capital in the company. In addition, this Regulation provides that most post-registration

---

procedures are carried out automatically by the online system simultaneously with (or shortly after) the corporate registration of the company. In particular, the following post-registration procedures are carried out automatically:

- Registration with the tax and statistical agencies;
- Registration with the pension fund;
- Notification to the state body regulating the securities market (i.e. Capital Markets Development Agency) regarding establishment of JSC; and
- Other permits as may be necessary for business operations (e.g. registration of land plot, re-registration of residential premises into office premises, etc.).

In addition to the above, following formalities will need to be applied with separately, such as:

- Opening bank accounts;
- Obtaining company’s stamp (if necessary);
- Registering of securities issue;
- Obtaining license/permit for specific activity; etc.

The application to register may be filed online. To use the electronic filing, however, the applicants must have a local electronic signature.

In order to register a company with the relevant Center for State Services, the following documents must be submitted:

- Application for state registration;
- One set of foundation documents in Uzbek language the charter and the foundation agreement, or only the charter (if
company is founded by 1 person). If the application is filed online, a PDF version may be attached;

- Receipt for payment of the state registration fee. EWFIs must pay an amount equal to 10 times the BCU (5 BCU for an online registration).

The state registration of a company (including post-registration procedures, which are performed automatically) is usually completed within two working days from the date of submission of the registration documents.

Upon state registration, company will be granted with a registration certificate and will be assigned with a tax registration number.

The company acquires the rights of a legal entity and is deemed to exist after state registration with the registering body (i.e., the Center for State Services).

In the event of a change in the company’s official address, the company must, within ten days, notify the registering body.

In the event of changes to the company’s foundation documents or its reorganization, the amendments must be re-registered. In the event of amendments to the foundation documents, the company must, within 30 days, submit to the registering body an application for re-registration with all necessary documents attached. A re-registration fee in the amount of 50% of the initial registration fee must be paid. Changes of an official address do not require the payment of a fee.
3 Foreign Investment in Uzbekistan

3.1 Forms of Investment

A foreign investor is entitled to engage in investment activity in Uzbekistan by means of:

- Establishment of companies;
- Acquisition of shares and other securities;
- Acquisition of assets (e.g., IP rights, land) and concessions (e.g., rights to use natural resources); and
- Other forms of investment not prohibited by Uzbek legislation.

3.2 Foreign Investment Incentives

The law governing investment in Uzbekistan is the Investment Law6. The Investment Law requires all foreign currency expenses of enterprises with foreign investment to be paid out of their own foreign currency receipts and other permitted sources of foreign currency. Moreover, the Investment Law states that a foreign investor shall be entitled to freely repatriate its earnings and assets resulting from the termination of investment activities. Currently, there are no practical issues with repatriation of profits by foreign investors.

The Investment Law also provides that investors can be afforded protection from certain adverse changes in the legislation for a period of ten years from the date of investment. However, the Investment Law provides that changes are deemed adverse only if they:

- introduce new formalities which either complicate the procedure to repatriate income out of Uzbekistan or decrease the volume of income that can be repatriated;

---

• introduce limitations on volumes of investments, including increasing the minimum volume of foreign investments in enterprises with foreign participation;

• introduce limitations on equity participation in the charter capital of legal entities;

• introduce new formalities to the procedure of obtaining and extending visas for individual foreign investors; or

• introduce other additional requirements for foreign investment.

In order to promote the state policy of self-sufficiency, Uzbekistan’s foreign investment regime favors foreign investors who produce goods in Uzbekistan which may be exported or which replace goods that would otherwise be imported.

In an effort to attract such investors, Uzbek legislation sets out the main incentives and benefits available to foreign investors and enterprises with foreign investments (“EWFI”)s. To be considered an EWFI, a company must have a share of foreign investment comprising not less than 15% of the charter capital.

Some of the main benefits set out by the legislation are:

• EWFIIs with at least US$ 5 million of foreign monetary investment are entitled to tax stability in relation to most taxes for 10 years from the moment of the EWFI’s registration.

• EWFIIs producing government prioritized goods and services are exempt from land tax and water use tax:
  
  o for 3 years if foreign direct investment is between US$ 300,000 and US$ 3 million;
  
  o for 5 years if foreign direct investment is between US$ 3 million and US$ 10 million;
• for 7 years if foreign direct investment is more than US$ 10 million.

• Foreign companies engaged in oil and gas exploration works, as well as their foreign contractors and subcontractors, are exempt from income tax, land tax, property tax, subsoil use tax and from customs payments (excluding VAT and customs fees) in relation to equipment and services imported for these works.

• EWFIs, as well as their foreign investors and employees, are exempt from import customs duties in certain cases.

Additionally, a company with foreign investments may be granted additional tax exemptions and other benefits in accordance with a special Presidential resolution and conclusion of an investment agreement. Depending on factors such as the importance of the company’s project to the Government and the volume and nature of the investments to be made, additional benefits may include: exemption from specific taxes, customs duties, assistance with visas and work permits, etc.

### 3.3 Investment Program

From time to time, the Government enacts an “Investment Program” listing those projects deemed to be of most significance to the Uzbek economy. These are usually limited to multi-million dollar investment projects involving foreign investors and EWFIs. The last Investment Program for 2020-2022 years has been adopted recently and includes projects in various sectors of economy (e.g. energy, textile, construction, agriculture, etc.) Contrary to the perception of many foreign investors, inclusion in the Investment Program does not automatically entitle a particular project to tax, currency conversion, or other incentives. Rather, projects included in the Investment Program are simply eligible for incentives at the discretion of the Government.
The Government may grant certain incentives to investors participating in the Investment Program on a case-by-case basis, such as: a more favorable tax regime or customs exemptions.

3.4 Free Economic and Special Industrial Zones

In order to attract foreign direct investments, Uzbekistan established more than 20 free economic zones (“FEZ”) in various regions of Uzbekistan. Out of them, 8 FEZs specialize in pharmaceutical industry. The most notable one is Navoi FEZ (https://www.feznавои.уз/), which includes an international air hub that has been developed in cooperation between Uzbekistan Airways and Korean Air. Apart from FEZs, Uzbekistan established approximately 60 Special Industrial Zones, residents of which may benefit from tax and investment protection legislation, similarly to entities of FEZs.

The FEZs shall operate for up to 30 years with an option to extend this period. During the term of the FEZs, a special tax and customs regime, specified by relevant laws and for duration specified by relevant Presidential Decrees, shall be applicable to entities registered within the territory of such FEZs. For example, entities in Navoi FEZ are exempt from land tax, property tax, water use tax:

- for 3 years where direct investments range between USD 300 thousand and 3 million;
- for 5 years where direct investments range between USD 3 million and 5 million;
- for 7 years where direct investments range between USD 5 million and 10 million; and
- for 10 years where direct investments exceed USD 10 million.

With certain limitations, entities registered in FEZs are exempt from customs payments (except for import VAT and customs clearance fee) on imports of goods.
## 3.5 Bilateral Investment Treaties

Uzbekistan has effective bilateral investment treaties on promotion and protection of foreign investments with 50\(^7\) countries. Bilateral investment treaties signed by Uzbekistan provide for a number of guarantees to nationals of signatory countries, including the national treatment, the most-favored-nation treatment, protection against nationalization, expropriation or measures tantamount to expropriation, the right to resolve investment disputes by means of international investment arbitration.

Uzbekistan is a signatory to the following bilateral investment treaties:

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Signing Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Austria</td>
<td>2 June 2000</td>
<td>19 August 2001</td>
</tr>
<tr>
<td>3.</td>
<td>Bahrain</td>
<td>16 November 2009</td>
<td>18 November 2010</td>
</tr>
<tr>
<td>5.</td>
<td>Belarus</td>
<td>1 August 2019</td>
<td>---</td>
</tr>
<tr>
<td>8.</td>
<td>China</td>
<td>19 April 2011</td>
<td>30 December 2011</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Signing Date</th>
<th>Effective Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.</td>
<td>Finland</td>
<td>1 October 1992</td>
<td>22 October 1992</td>
</tr>
<tr>
<td>18.</td>
<td>Iran</td>
<td>11 June 2000</td>
<td>---</td>
</tr>
<tr>
<td>25.</td>
<td>Lithuania</td>
<td>18 February 2002</td>
<td>11 November 2002</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
<td>Signing Date</td>
<td>Effective Date</td>
</tr>
<tr>
<td>-----</td>
<td>------------------</td>
<td>--------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>29.</td>
<td>Oman</td>
<td>30 March 2009</td>
<td>20 August 2009</td>
</tr>
<tr>
<td>32.</td>
<td>Portugal</td>
<td>11 September 2001</td>
<td>19 April 2010</td>
</tr>
<tr>
<td>34.</td>
<td>Russian Federation</td>
<td>15 April 2013</td>
<td>14 January 2014</td>
</tr>
<tr>
<td>37.</td>
<td>Slovak Republic</td>
<td>16 May 1995</td>
<td>4 February 1999</td>
</tr>
<tr>
<td>38.</td>
<td>Slovenia</td>
<td>7 October 2003</td>
<td>18 May 2004</td>
</tr>
<tr>
<td>41.</td>
<td>Sweden</td>
<td>29 May 2001</td>
<td>1 October 2001</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
<td>Signing Date</td>
<td>Effective Date</td>
</tr>
<tr>
<td>-----</td>
<td>---------------</td>
<td>----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>42.</td>
<td>Switzerland</td>
<td>16 April 1993</td>
<td>5 November 1993</td>
</tr>
<tr>
<td>43.</td>
<td>Tajikistan</td>
<td>9 March 2018</td>
<td>6 June 2018</td>
</tr>
<tr>
<td>44.</td>
<td>Turkey</td>
<td>25 October 2017</td>
<td>9 July 2020</td>
</tr>
<tr>
<td>45.</td>
<td>Turkmenistan</td>
<td>16 January 1996</td>
<td>2 August 1996</td>
</tr>
<tr>
<td>46.</td>
<td>UAE</td>
<td>26 October 2007</td>
<td>27 March 2011</td>
</tr>
<tr>
<td>47.</td>
<td>Ukraine</td>
<td>20 February 1993</td>
<td>26 May 1994</td>
</tr>
<tr>
<td>48.</td>
<td>United Kingdom</td>
<td>24 November 1993</td>
<td>24 November 1993</td>
</tr>
<tr>
<td>49.</td>
<td>USA</td>
<td>16 December 1994</td>
<td>24 February 1995</td>
</tr>
</tbody>
</table>
4 Currency Regulations

4.1 Exchange Controls

Until recently, due to substantial administrative difficulties, it was nearly impossible in practice to convert Uzbekistan's currency, the Soum, into foreign currency for remittance abroad. As a result of this and the aftermath of the global financial and economic crisis, the conversion of Soum into foreign currency has been a major problem in Uzbekistan.

At that times, Uzbekistan has had a variety of exchange rates, the most notable being the official exchange rate set by the Central Bank of Uzbekistan ("CBU") (which was used for bookkeeping and statistical purposes and for calculating customs and other obligatory payments) and the interbank exchange rate at the Republican Currency Exchange (which banks use to set the exchange rate charged to their customers). Historically these two rates always have varied quite significantly from the bazaar (black market) rate which was readily available on the street in Uzbekistan and was viewed as more closely reflecting the Soum’s market value.

However, shortly after becoming a President, Shavkat Mirziyoyev issued a decree\(^8\) ("Decree") liberalizing certain aspects of Uzbekistan’s currency regime. Decree provided that Uzbek legal entities may purchase foreign currency in commercial banks for payments to fulfill their obligations under the following types of current international transactions: import of goods, works and services; repatriation of profits; repayment of loans; payment of travel expenses; and other non-commercial transfers. This legal right is not new, but in practice it has been almost impossible for companies to obtain sufficient hard currency from their banks due to a shortage of hard currency.

\(^8\) Decree of the President of the Republic of Uzbekistan No. UP-5177 On Priority Measures for Liberalization of Currency Policy, dated 2 September 2017
With adoption of the Decree, practical difficulties with currency conversion has been resolved. After adoption of the Decree, Soum has devaluated by two times and becoming 8110 Soums / 1 USD (in contrast to 4210.35 Soums / 1 USD prior to adoption of the Decree). Pursuant to the Decree, one of the priority directions of the state economic policy is the exclusive use of market mechanisms in setting the exchange rate of the national currency in relation to foreign currency.

The most notable changes envisaged by the Decree are as follows:

- Companies do not have practical difficulties with currency conversion. Companies may obtain hard currency through their servicing banks without limitations.
- Foreign exchange rates are unified and exchange rate set by the Central Bank closely reflecting the Soum's market value.
- Individuals residents of Uzbekistan may freely sell foreign currency in exchange points.
- Requirement for the mandatory sale of foreign currency export proceeds is abolished. Prior to the Decree 2017, Uzbekistan required most exporters to convert part of their hard currency proceeds from exports into local currency at the official exchange rate.

Uzbek legal entities may hold bank accounts outside of Uzbekistan in very limited circumstances (e.g. based on the decisions of President or Cabinet of Ministers). All settlements within Uzbekistan must be made in Soum, except for some limited instances established by the Uzbek currency law.

4.2 Cash Settlement Restrictions

Payments between businesses may be performed only through bank transfers, regardless of the type of business. Cash may be withdrawn
from bank accounts only for specified purposes, including the payment of wages or benefits and allowances for business trips.

The disbursement of cash by authorized banks for salary and wage payments is strictly regulated.

4.3 Converting Local Currency into Hard Currency

In order for a company to convert its local currency into hard currency, it must provide a relevant application to its servicing bank. The application must specify the exact uses of the hard currency. In turn, the servicing banks purchase the foreign currency on the interbank foreign exchange market of Uzbekistan.

When converting currency for making payments under foreign trade transaction, Uzbek counterparty must register respective contract with the Unified Information System of Foreign Trade Operations (See Section 10.1). Otherwise, the servicing bank has a right to reject the currency conversion.
5    Taxation

5.1 Principal Taxes

The main legislation governing taxation in Uzbekistan is the Tax Code.⁹

Taxes which are most relevant to foreign investors are:

- corporate profits tax;
- individual income tax;
- value-added tax;
- customs duties;
- excise tax;
- subsoil use tax and special payments;
- water use tax;
- turnover tax;
- social tax;
- fixed individual income tax for certain business activities;
- state duty;
- property tax;
- land tax;
- various local taxes and collections.

---

5.2 Corporate Profits Tax

5.2.1 Status of Taxpayers

Legal entities founded or registered in Uzbekistan are deemed to be residents of Uzbekistan for tax purposes. They are taxed on their profits gained from Uzbekistan and offshore sources.

Non-resident legal entities operating in Uzbekistan through a permanent establishment pay corporate profits tax on profits from sources in Uzbekistan associated with the permanent establishment, reduced by the amount of allowable deductions.

5.2.2 Applicable Tax Rates

The general corporate profits tax rate is 15%. The tax rate is 20% for banks, cement producers, polyethylene granules producers, mobile telecommunications companies, as well as for markets and shopping malls. The tax rate for e-commerce companies is 7.5%.

5.2.3 Taxable Base

The tax base for corporate profits tax is total revenues (e.g. from sales of products, work or services and other income), reduced by the amount of allowable deductions (such as business expenses). Certain costs can be deducted only within the limits established by law.

5.2.4 Reductions

The taxable profit for corporate profits tax purposes may in certain cases be reduced (e.g. funds allocated for research and development; or to reserve fund of the company).

A taxpayer may also apply an “investment deduction” in the form of the following accelerated annual depreciation of fixed and intangible assets:

- 10% of the cost of new technological equipment, expenses for modernization of production and/or the amounts allocated for
the purchase of domestically produced software as part of investment projects to create information systems (such depreciation may be taken in the year in which the equipment is commissioned and modernization or purchase is completed); and

- 5% of the amounts allocated for expansion of production in the form of new construction, reconstruction of buildings and structures used for production needs (such depreciation may be taken in the year in which the expansion is completed).

5.2.5 Losses

Subject to certain limitations, tax losses may be carried forward for up to 10 years.

5.2.6 Depreciation

Generally, the maximum annual depreciation rates for corporate profits tax purposes are as follows:

**Table 1: Depreciation Rates**

<table>
<thead>
<tr>
<th>Group of Fixed Assets</th>
<th>Depreciation Norm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles, computer equipment</td>
<td>20%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>15%</td>
</tr>
<tr>
<td>Rail, sea, river and air transport, power and heating equipment, electric and turbine</td>
<td>8%</td>
</tr>
<tr>
<td>equipment, electricity transmission and communications devices, and pipelines</td>
<td></td>
</tr>
<tr>
<td>Buildings and constructions</td>
<td>3%</td>
</tr>
</tbody>
</table>
**Group of Fixed Assets**

| Depreciable assets not included in the above groups | 15% (generally) |

5.2.7 Tax Reports

For corporate profits tax purposes, the tax year is the calendar year. Most legal entities are required to file an annual tax reports with the tax authorities by 1 March of the following year.

5.2.8 Withholding Tax

Uzbekistan-source income not connected with the activities of a permanent establishment in Uzbekistan is subject to corporate income tax to be withheld at a source of income (i.e., withholding tax). The tax applies regardless of whether the relevant income is received within or outside Uzbekistan, and the taxable base is comprised of the aggregate income without deductions. Income which relates to activities or services performed outside of Uzbekistan is not subject to withholding taxes. The table below summarizes the rates of withholding tax.

**Table 2: Withholding Tax Rates**

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Withholding Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend and interest</td>
<td>10%</td>
</tr>
<tr>
<td>Insurance premiums paid for insurance or reinsurance of risks</td>
<td>10%</td>
</tr>
<tr>
<td>International telecommunication, transportation and freight services</td>
<td>6%</td>
</tr>
</tbody>
</table>
### 5.3 Individual Taxation/Payroll Taxes

#### 5.3.1 Status of Taxpayers

Individuals who are physically present in Uzbekistan for 183 days or more, in any period of up to 12 consecutive months are considered to be residents of Uzbekistan for tax purposes. Resident taxpayers are subject to income tax on their worldwide income.

Non-residents, however, are taxed at the source of income (without any deductions) on any Uzbekistan-source income.

Certain types of income are exempt from taxation. Such income includes, *inter alia*, alimony, financial aid within the approved limits and pension income.

#### 5.3.2 Rates

Personal income tax is payable at a flat rate of 12%. Non-residents are taxed on their employment-related income at the rate of 20%. Dividends and interest income received by individuals are taxed at a rate of 5% (10% - for non-residents).

#### 5.3.3 Tax Reports

A resident individual in receipt of income that is not from his principal place of work (whether from sources in Uzbekistan or abroad) is required to submit a declaration of aggregate annual income to the tax authorities.
authorities at his place of permanent residence no later than 1 April of the year following the year in which the income was received. Individuals who, in the previous calendar year, have only received income from their employment at their principal place of work, service or study, are not required to submit declarations of the income received in that year.

A foreign individual who becomes a resident before 1 April of any year must submit a declaration of income for the previous year. Should the foreign individual terminate his or her activity and leave Uzbekistan within a calendar year, a declaration of income actually received must be submitted no later than one month before his or her departure.

In addition to the aforementioned declaration of income, an individual receiving rent payments must submit a preliminary declaration of income within 5 days following the end of the first month from the date on which such income arose.

5.3.4 Social Tax

In 2020, companies are required to pay a social tax at a rate of 12% of the gross salaries paid to their employees. The social tax is paid by employers at their own expense.

Income of foreign personnel paid to foreign companies under secondment agreements is also subject to social tax. The taxable base for social tax purposes is the income of foreign personnel but not less than 90% of the secondment fee payable under the agreement. The entity receiving the seconded personnel is the payer of social tax on secondment fees.

5.4 Other Taxes

5.4.1 Value-Added Tax

Value-added tax (“VAT”) is a tax levied on taxable turnover and taxable imports. VAT is payable on turnover related to the sale of
goods and services, as well as on import of goods. The current VAT rate is 15%.

With effect from 1 January 2020, non-residents of Uzbekistan are required to pay local VAT on a number of digital services provided to individual customers who live in Uzbekistan (or who use local bank accounts to pay the purchase price, have a network address registered in Uzbekistan, or use a Uzbekistan phone number to make the order). Such services include: supply of software, e-books, music and other digital content through the Internet, domain and hosting services, streaming services, platforms for online trade, online advertising services, etc. Certain types of services, however, are not covered (e.g., Internet access services and provision of consulting services via e-mail).

Foreign suppliers of digital services are required to register as VAT payers with the Uzbek tax authorities within 30 days after the service is supplied. They need to submit simplified VAT returns quarterly by the 20th of the month following the calendar quarter – i.e., by April 20, July 20, October 20 of a respective year and January 20 of the following year. VAT payments on digital services should be made no later than the 20th of the month following the reporting tax period.

5.4.2 Excise Tax

The types of goods subject to an excise tax and the applicable taxation rates are determined by the President (production of alcohol, retail of gas products, etc).

The excise tax is generally not levied on the export of goods, work and services.

5.4.3 Subsoil Use Taxes

(a) Subsoil Use Tax

A subsoil use tax (a concept similar to royalties) is payable by subsoil users. The amount of subsoil use tax is calculated on the value of the
mineral resources extracted and is payable by legal entities on a monthly basis. The value of the mineral resources for the purposes of the subsoil use tax is generally determined using the average weighted sales price for the reporting period. There are fixed approved percentage rates of the subsoil use tax which vary depending on the type of mineral.

(b) Signature Bonus

A signature bonus is a one-time payment to the State for the right to explore and extract minerals in accordance with a subsoil use license. The rate of the signature bonus varies depending on the type of mineral. For instance, the rate established for gold is the amount equivalent to 1,000 times the BCU (approximately US$ 22,000), for hydrocarbons - 5,000 BCU (approximately US$ 110,000) and for rare and precious metals - 500 times the BCU (approximately US$ 11,000).

(c) Commercial Discovery Bonus

A commercial discovery bonus is a fixed payment that is payable by subsurface users for each commercial discovery made in the licensed territory. The commercial discovery bonus is determined on the basis of the value of proven extractable reserves. The value of the mineral resources is generally determined using the market price established at international exchanges. The rate of the commercial discovery bonus is 0.1%.

5.4.4 Water Use Tax

The water tax applies to legal entities that use water in their activities for production and technical needs. The rates of this tax are determined by the Tax Code and range from 40 to 25,185 Soum (approximately US$ 2) per cubic meter.
5.5 Property and Land Taxes

Both legal entities and individuals are subject to numerous local taxes and collections including those discussed below.

5.5.1 Property Tax

A corporate property tax is payable on:

- the annual average depreciated value of all fixed capital assets;
- the annual average value of construction-in-progress;
- the annual average depreciated value of railways, trunk pipelines, communication and power lines, as well as structures that are an integral technological part of these facilities;
- the annual average value of residential real estate listed on the balance sheet of construction companies or developers for subsequent sale, after six months following the commissioning of the property.

There are a few tax exemptions and benefits. For example, producers of energy from renewables are exempt from the tax for 10 years in relation to installation of renewable energy equipment (with a nominal capacity of 0.1 MW or more).

The general property tax rate for legal entities is 2%. The rate of tax applicable to an individual’s residential property ranges from 0.23% up to 2% of the cadastral value of the property.

5.5.2 Land Tax

The land tax is paid at the rates established by the State Budget Law and varies depending on the type of land and its location.
5.5.3 Miscellaneous Taxes

Various other local taxes, collections and fees may be payable in the autonomous Republic of Karakalpakstan, the viloyats and the City of Tashkent, such as a tax for trading spirits and jewelry. The rates for these taxes are set by the local state bodies within the maximum limits established by the State Budget Law.

5.6 Penalties

Breaches of tax legislation may result in the following penalties (among others):

- in the event of the concealment of income (profit), a fine of 20% of the amount of income (profit) concealed will be imposed on the taxpayer;

- a late submission of tax returns may result in a penalty in the amount of 1% for each day of delay (but not exceeding 10%) from the amount of respective tax due under the relevant return;

- a late payment of tax is subject to late payment interest for each date of delay calculated as 1/300 of the Central Bank of Uzbekistan refinancing rate multiplied by the amount of tax due; and

- a failure to register as a tax payer (e.g. a VAT payer of e-services) is subject to a penalty in the amount of 5% (but not less than 5 mln Soum) from the revenue accrued during the period from the date when the registration had to be done under the law and the date of actual registration.

In addition to the above, the management of the taxpayer may be subject to criminal liability in certain aggravated cases.
5.7 Double Taxation Treaties

As of 1 January 2021, Uzbekistan has effective double taxation treaties with 54 countries. A foreign legal entity which is entitled to receive a full or partial tax exemption under a double taxation treaty must submit to the Uzbek tax authorities, among other things, an official legalized (or apostilled) tax residency certificate in the country which concluded the relevant double taxation treaty with Uzbekistan. The documents may be submitted to the tax authorities either prior to the payment of tax or within a year of the payment becoming due. A foreign banking institution seeking a tax exemption under a double taxation treaty is not required to file a certificate of residency, provided that its residency can be identified through publicly available information.

Below is a table listing the countries with which Uzbekistan has effective double taxation treaties, showing the dates of signing and entering into force, and indicating the reduced rates of income tax applicable under the treaties in relation to certain categories of income.\(^{10}\) In addition to providing for reduced rates, these treaties provide a complete income tax exemption in relation to many categories of income.

\(^{10}\) The reduction of income tax rates under most treaties is allowable only upon the satisfaction of certain conditions. For example, income tax in relation to royalties under the treaty with the Netherlands may be reduced only if the recipient is the actual owner of royalties. Therefore, the relevant treaty and circumstances at hand must be examined in each particular case in order to ascertain whether a certain category of income is subject to taxation at a reduced rate.
Table 4: Double Taxation Treaties

<table>
<thead>
<tr>
<th>№</th>
<th>Country</th>
<th>Date of Signing</th>
<th>Date of Entering into Force</th>
<th>Dividends¹¹</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Austria</td>
<td>14/07/00</td>
<td>1/08/01</td>
<td>5 / 10</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>Azerbaijan</td>
<td>27/05/96</td>
<td>2/11/96</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>Bahrain</td>
<td>05/06/09</td>
<td>14/10/10</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>4.</td>
<td>Belarus</td>
<td>22/12/94</td>
<td>11/01/97</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>5.</td>
<td>Belgium</td>
<td>14/11/96</td>
<td>8/07/99</td>
<td>5 / 10</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>6.</td>
<td>Bulgaria</td>
<td>24/11/03</td>
<td>21/10/04</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>7.</td>
<td>Canada</td>
<td>17/06/99</td>
<td>14/09/00</td>
<td>5 / 10</td>
<td>15</td>
<td>5-10</td>
</tr>
<tr>
<td>8.</td>
<td>China</td>
<td>3/07/96</td>
<td>3/07/96</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>9.</td>
<td>Czech Republic</td>
<td>2/03/00</td>
<td>15/01/01</td>
<td>5 / 25</td>
<td>5</td>
<td>10</td>
</tr>
</tbody>
</table>

¹¹ Under certain treaties, the rate of tax in relation to dividends may vary depending on the share of the charter capital (shares, interests, etc.) held by the recipient of dividends in the company paying them. For example, under the treaty with the Netherlands, the rate of income tax on dividends should be 5% of the gross amount of dividends if the beneficial owner of the dividends holds directly or indirectly at least 25% of the charter capital of the company paying the dividends; in all other cases the dividends will be taxed at the rate of 15%. Therefore, the relevant treaty and circumstances at hand must be examined in each particular case in order to determine the applicable tax rate with respect to dividends. Following a slash in the table we indicate the minimum share of the charter capital that must be owned by the recipient of dividends in order to use the reduced rate of tax indicated before the slash; after that, beneath these figures we indicate the tax rate which is applicable if the recipient owns less than the mentioned minimum share of the charter capital.
<table>
<thead>
<tr>
<th>№</th>
<th>Country</th>
<th>Date of Signing</th>
<th>Date of Entering into Force</th>
<th>Dividends (%)</th>
<th>Interest (%)</th>
<th>Royalties (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Estonia</td>
<td>28/09/12</td>
<td>23/12/13</td>
<td>5 / 25</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Egypt</td>
<td>5/09/18</td>
<td>25/03/19</td>
<td>5/25</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>12</td>
<td>Finland</td>
<td>9/04/98</td>
<td>7/02/99</td>
<td>5 / 10</td>
<td>5</td>
<td>5-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td></td>
<td>(depending on the type of IP rights)</td>
</tr>
<tr>
<td>13</td>
<td>France</td>
<td>22/04/96</td>
<td>1/10/03</td>
<td>5 / 10</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>14</td>
<td>Georgia</td>
<td>28/05/96</td>
<td>20/10/97</td>
<td>5 / 25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Germany</td>
<td>7/09/99</td>
<td>14/12/01</td>
<td>5 / 25</td>
<td>5</td>
<td>3-5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15</td>
<td></td>
<td>(depending on the type of IP rights)</td>
</tr>
<tr>
<td>16</td>
<td>Greece</td>
<td>1/04/97</td>
<td>15/01/99</td>
<td>8</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>17</td>
<td>Hungary</td>
<td>17/04/08</td>
<td>29/01/09</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>18</td>
<td>India</td>
<td>29/07/93</td>
<td>25/01/94</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>19</td>
<td>Indonesia</td>
<td>27/08/96</td>
<td>11/11/98</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>20</td>
<td>Iran</td>
<td>26/04/02</td>
<td>18/01/05</td>
<td>8</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>No.</td>
<td>Country</td>
<td>Date of Signing</td>
<td>Date of Entering into Force</td>
<td>Dividends1 (%)</td>
<td>Interest (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>-----</td>
<td>-------------</td>
<td>-----------------</td>
<td>-----------------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>21.</td>
<td>Ireland</td>
<td>11/07/12</td>
<td>17/04/13</td>
<td>5 / 10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>22.</td>
<td>Israel</td>
<td>15/09/98</td>
<td>9/03/99</td>
<td>10</td>
<td>10</td>
<td>5-10</td>
</tr>
<tr>
<td>23.</td>
<td>Italy</td>
<td>21/11/00</td>
<td>26/05/04</td>
<td>10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>24.</td>
<td>Japan</td>
<td>19/12/19</td>
<td>17/10/20</td>
<td>5 / 25 / 10</td>
<td>5</td>
<td>0-5 (depending on the type of IP rights)</td>
</tr>
<tr>
<td>25.</td>
<td>Jordan</td>
<td>22/11/10</td>
<td>13/07/11</td>
<td>7 / 25</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>26.</td>
<td>Kazakhstan</td>
<td>12/06/96</td>
<td>21/04/97</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>27.</td>
<td>Korea</td>
<td>11/02/98</td>
<td>25/12/98</td>
<td>5 / 25</td>
<td>5</td>
<td>2-5 (depending on the type of IP rights)</td>
</tr>
<tr>
<td>28.</td>
<td>Kuwait</td>
<td>19/01/04</td>
<td>3/05/06</td>
<td>5 / 25</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>29.</td>
<td>Kyrgyzstan</td>
<td>24/12/96</td>
<td>17/03/00</td>
<td>5</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>30.</td>
<td>Latvia</td>
<td>3/07/98</td>
<td>23/10/98</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>31.</td>
<td>Lithuania</td>
<td>18/02/02</td>
<td>11/11/02</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>32.</td>
<td>Luxembourg</td>
<td>2/07/97</td>
<td>2/09/00</td>
<td>5 /25 15</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>№</td>
<td>Country</td>
<td>Date of Signing</td>
<td>Date of Entering into Force</td>
<td>Dividends (%)</td>
<td>Interest (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>----</td>
<td>--------------</td>
<td>----------------</td>
<td>----------------------------</td>
<td>----------------</td>
<td>--------------</td>
<td>---------------</td>
</tr>
<tr>
<td>33</td>
<td>Malaysia</td>
<td>6/10/97</td>
<td>10/08/99</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>34</td>
<td>Moldova</td>
<td>30/03/95</td>
<td>28/11/95</td>
<td>5 / 10</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Netherlands</td>
<td>18/10/01</td>
<td>27/05/02</td>
<td>5 / 25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>Oman</td>
<td>30/03/09</td>
<td>20/06/09</td>
<td>7</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>37</td>
<td>Pakistan</td>
<td>22/05/95</td>
<td>12/09/96</td>
<td>10</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Poland</td>
<td>11/01/95</td>
<td>29/04/95</td>
<td>5 / 20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>Romania</td>
<td>6/06/96</td>
<td>17/10/97</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>40</td>
<td>Russia</td>
<td>2/03/94</td>
<td>27/07/95</td>
<td>10</td>
<td>10</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>Saudi Arabia</td>
<td>18/11/08</td>
<td>1/11/10</td>
<td>7</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>Singapore</td>
<td>24/07/08</td>
<td>28/11/08</td>
<td>5</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>43</td>
<td>Slovakia</td>
<td>6/03/03</td>
<td>20/10/03</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>Slovenia</td>
<td>11/02/13</td>
<td>8/11/13</td>
<td>8</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>45</td>
<td>Spain</td>
<td>8/07/13</td>
<td>19/09/15</td>
<td>5 / 25</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Switzerland</td>
<td>3/04/02</td>
<td>15/08/03</td>
<td>5 / 20</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>№</td>
<td>Country</td>
<td>Date of Signing</td>
<td>Date of Entering into Force</td>
<td>Dividends¹ (%)</td>
<td>Interest (%)</td>
<td>Royalties (%)</td>
</tr>
<tr>
<td>----</td>
<td>----------------</td>
<td>----------------</td>
<td>-----------------------------</td>
<td>----------------</td>
<td>-------------</td>
<td>--------------</td>
</tr>
<tr>
<td>47.</td>
<td>Tajikistan</td>
<td>9/03/18</td>
<td>6/06/18</td>
<td>5 / 25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>48.</td>
<td>Thailand</td>
<td>23/04/99</td>
<td>21/07/99</td>
<td>10</td>
<td>15 / 10</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(for financial institutions)</td>
<td></td>
</tr>
<tr>
<td>49.</td>
<td>Turkey</td>
<td>8/05/96</td>
<td>30/09/97</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>50.</td>
<td>Turkmenistan</td>
<td>16/01/96</td>
<td>27/11/96</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>51.</td>
<td>Ukraine</td>
<td>10/11/94</td>
<td>13/07/95</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>52.</td>
<td>United Kingdom</td>
<td>15/10/93</td>
<td>10/06/94</td>
<td>5 / 10</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>53.</td>
<td>United Arab Emirates</td>
<td>26/10/07</td>
<td>25/02/11</td>
<td>5 / 25</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>54.</td>
<td>Vietnam</td>
<td>28/03/96</td>
<td>16/08/96</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
</tbody>
</table>

5.8 Export and Import Taxes and Duties

5.8.1 Export Duties

Customs duties do not apply to exports of any products.

VAT on exports is charged at a rate of 0%.

An excise tax is not imposed on excisable goods (with certain exceptions) exported by manufacturers.
5.8.2 Import Customs Duties

Import customs duties are only applicable to those goods specified by the President. Customs duties are paid in Soums before or during the customs clearance of the goods. The amount of duty to be paid is generally calculated on the basis of the contract price and depends on the customs code of the relevant product.

Property brought into Uzbekistan by an EWFI for its own needs is exempt from customs duties for two years after its state registration, provided that the share of foreign investment in the EWFI comprises not less than 33% of its charter capital.

5.8.3 VAT on Imports

A 15% VAT applies to most goods and materials imported into Uzbekistan.

The VAT is paid in Soums before or during the customs clearance of the goods. Generally, the taxable base is the customs value of the imported products plus customs duties and excise tax (where applicable).

There are a number of exemptions from VAT on import. For example, generally, products imported within the framework of an investment agreement entered into with the relevant state agency in Uzbekistan are exempt from VAT on import. As another example, imported technological equipment included on a specified list is also exempt from VAT. (However, should exempted equipment be sold or transferred free of charge within three years from the date of import, VAT on import would apply retroactively.)

5.8.4 Excise Tax on Imports

An excise tax is imposed on certain types of imported goods (e.g. certain FMCGs, cigarettes, automobiles). The rate of this tax varies depending on the types of imported goods.
5.9 Tax Concessions

Tax concessions are generally provided in the Tax Code. However, the President of Uzbekistan is also given the power to issue tax concessions, and he has exercised this power in relation to specific projects.

5.10 Transfer Pricing

The Tax Code introduces a detailed transfer pricing regulation which will take effect on 1 January 2022. Previously there was no such regulation. Some of the main aspects of the new rules are summarized below:

(i) For tax purposes, a controlled transaction should be on market terms. There are two types of controlled transactions:

   a. a transaction between related parties with the amount exceeding 5 billion Soums (approximately 223,000 USD) (in certain specific cases - 500 million Soums); and

   b. cross-border transactions with oil, oil products, precious and non-ferrous metals, and certain other types of products (the full list of which should be approved by the State Customs Committee) or transactions where one of the parties is established in a designated offshore jurisdiction. These transactions may be between related and unrelated parties.

(ii) Information on controlled transactions should be submitted to the tax authorities on an annual basis.

(iii) The Tax Code provides for a list of sources of information which should be used to determine the market price (quotations of commodity exchanges, etc.).
(iv) If the tax authorities determine that there is a deviation between the transaction price and the market price, they may adjust the transaction price accordingly and assess unpaid/underpaid taxes and impose fines and penalties. The transfer pricing rules provide for the following methods of determining market price: comparable market price method; resale price method; costs plus method; comparable profitability method; and profit split method.

(v) At the request of the State Tax Committee, the taxpayer should submit transfer pricing documentation in relation to a specific transaction (such as justification of the used price determination method). Such a request cannot be made before 1 June of the year which follows the year in which the transaction was executed.

(vi) Transfer pricing audits may be conducted only by the State Tax Committee and may be initiated generally not later than 4 years from the date on which the relevant transaction was reported.

It is possible to sign an advance pricing agreement with the State Tax Committee which sets forth, among other things, the methodology of determining the price in relation to specific products.

5.11 Controlled Foreign Companies

With effect from 1 January 2022, the Tax Code introduces the concept of a controlled foreign company (a “CFC”).

Under the CFC rules, a local tax resident (either a company or an individual) will generally be deemed to have a CFC if it holds more than 50% of the shares (from 1 January 2023 - more than 25%) in a foreign company unless such company (among other things):

(i) is deemed to be an active foreign holding company (according to the tests established in the New Tax Code) and is not
incorporated in an offshore jurisdiction, the list of which is to be approved jointly by the State Tax Committee, the Central Bank and the State Customs Committee; or

(ii) is subject to an effective corporate income tax rate of not lower than 15% and is located in a country with which Uzbekistan has a double tax treaty.

If a local tax resident is deemed to have a CFC, it should pay income tax on the undistributed profits of such CFC in proportion to its shareholding in it.

Also, the local tax resident should submit a standard form notification to the tax authorities on its participation in any foreign company (within one month after acquisition of its shares) and in a CFC (until 20 March of the year following the year in which a CFC’s profit becomes taxable in Uzbekistan).

5.12 Thin Capitalization

Tax Code imposes limitations on deductibility by a local borrower of “controlled debt” for its corporate income tax purposes. Controlled debt is deemed to be a debt owed to a related party (which includes a person or entity holding more than 20% of shares in the borrower), as well as to a lender that has obtained a guarantee or other security of repayment from a borrower’s related party.

Deduction would be allowed only for the portion of interest and penalties under controlled debt which remains after such interest (penalties) is divided by a capitalization coefficient. This coefficient, in turn, is calculated as follows: controlled debt divided by the borrower’s own capital and then divided by an indicator which is equal to 3 (13 for banks and financial lessors).
6 Employment

6.1 Introduction

The employment of nationals and foreign citizens in Uzbekistan is regulated by the Labor Code. Labor relations are regulated by individual employment contracts and often also by collective agreements, which are entered into between labor unions in the interests of workers and employers. Employment contracts must meet the standards prescribed by Uzbek law. Companies may hire employees directly, without using employment or recruitment agencies.

6.2 Workbooks

Uzbek nationals must provide an employer with a workbook containing their personal details and a record of their work history, including current employment details. The workbook is the main document confirming the work experience of the employee for the purpose of determining an employee’s rights to a state pension. Where an employee does not have a workbook, the employer is obliged to supply a new one within five days of commencing employment. As of 1 January 2020, workbooks are kept in electronic form on a Unified National System of Labour of the Ministry of Labour. Moreover, employment contracts must be registered in this system, as well as their amendment and termination.

6.3 Probationary Period

An employment contract may include a probationary period which cannot exceed three months.

6.4 Minimum Wage

Wages may not be lower than the minimum wage size. As of 1 February 2020, the minimum wage size is 679,330 Soums

---

(approximately US$ 68). The Government usually increases the minimum wage size several times per year.

6.5 Working Week

The regular working week is 40 hours. Overtime work may be allowed only with the employee’s consent. There are certain categories of work where overtime work is not permissible. Overtime work may not exceed four hours within two days or exceed 120 hours within one year. Overtime work must be compensated at a rate of at least 200% of the employee’s regular wage.

6.6 Holidays and Vacations

Uzbekistan has 9 official public holidays. The minimum paid annual leave is 15 working days, at least 12 days of which must be used by the employee at one single time.

6.7 Sick Leave

Employees are required to submit a medical certificate for any absence only after their recovery and return to work. Generally, employees cannot be terminated by their employer while absent on sick leave and are entitled to receive sick leave compensation. Sick leave compensation is paid by the employer, but is excluded from the employer’s taxable income.

Sick leave compensation must be paid to an employee in the event of his/her illness, injury and in cases when an employee is caring for a sick family member, as well as in some other instances. In cases of a labor-related injury or occupational disease or special qualification of the employee, the amount of sick leave compensation is 100% of the employee’s average earnings. In other cases, sick leave compensation ranges between 60% and 100% of such employees’ average earnings depending on the grounds for the sick leave and employment seniority.
6.8 Maternity Leave

Maternity leave must be given no less than 70 days prior to birth and 56 days following birth (up to 70 days in certain cases). After the maternity leave, at employee’s request, she must be provided with the paid leave after childbirth until the child reaches 2 years. Maternity leave is paid for by the employer at the employee’s normal salary level.

6.9 Dismissal

Uzbekistan does not follow the dismiss-at-will concept and dismissing an employee can be difficult. An exception is CEOs, who can be dismissed by a resolution of the owner (or shareholders) of a company.

An employer has three options to terminate an employment agreement: (i) termination by mutual consent; (ii) termination at the employee’s initiative; or (iii) termination at the employer’s initiative.

Termination by mutual consent usually requires the employer and employee to execute a termination agreement. Executing a termination agreement helps mitigate the risk of an employee filing a successful claim in court to be restored to their former position.

In the case of termination at the employee’s initiative, an employee should give the employer 2-week prior written notice.

For termination at the employer’s initiative, the Labor Code provides special conditions and restrictions. An employer can only dismiss an employee at its own initiative if there are serious grounds such as gross disciplinary violation and repeated disciplinary violations. However, some exceptions to this include such as: liquidation of the employer; staff redundancy; inability to perform the duties required by the position. If the reason for dismissal is liquidation of the employer or staff redundancy, an employer must pay employees compensation of an average month’s wages. Additionally, an employer is entitled to
dismiss an employee who has reached the pension age. Compensation set by the employment contract or collective agreement or act of the employer should be paid to the employee and the employee should be notified at least 2 month in advance.

6.10 Foreign Workers in Uzbekistan

Companies with foreign employees in Uzbekistan must obtain a work permit (“Work Permit”) from the Agency onForeign Labor Migration under the Ministry of employment and labor relations. Work Permit authorizes the company to engage a foreign work force. A company holding a Work Permit must also obtain a confirmation (“Confirmation”) from the Agency for each foreign employee. The Confirmation allows a specific foreign employee to work in Uzbekistan.

In certain cases, company is relieved from obtaining a Work Permit (e.g. recruitment of highly qualified and qualified foreign specialists). However, company would be still required to obtain a Confirmation for each foreign employee.

To obtain a Work Permit, company must apply to the relevant Public Services Center (online application is available). State duty for application comprises of 1 BCU (approximately USD 22). Upon issuance of the Work Permit, company must also pay a state duty of 50 BCU (approximately USD 1,100).

The recent Presidential Decree13 abolishes the Work Permit requirement for companies as of 1 January 2021. We understand that obtaining the Confirmations by the company or the employee should be sufficient for the foreign employee to be eligible to work in Uzbekistan. At the same time, there are no by-laws regulating the new

---

13 Decree of the President of the Republic of Uzbekistan On Measures for Cardinal Improvement of License and Permit Procedures No. UP-6044 dated 24 August 2020
procedures, and we are not aware how the recent changes are implemented in practice.
7 Property Rights

7.1 General Provisions

The fundamental laws governing matters relating to real property and real property rights are the Constitution,\(^{14}\) the Property Law,\(^{15}\) the Law on Protection of Private Property and Guarantees of the Rights of Proprietors,\(^{16}\) the Civil Code, the Land Code,\(^{17}\) the Urban-Planning Code\(^{18}\) and the Housing Code.\(^{19}\)

An owner of real property may (at his own discretion) possess, use and dispose of that property, as well as the rights to the objects of ownership possession. Such objects of ownership in Uzbekistan include: land, subsoil, movable and immovable property, intellectual property rights, money and securities. In this connection, it should be noted that the State is the sole owner of land, subsoil and certain other kinds of property in Uzbekistan.

Law “On Protection of Private Property and Guarantees of the Rights of Proprietors” dated 24 September 2012 guarantees the rights of private proprietors, especially in cases of nationalization, attachment or other types of private property termination.

7.2 Limitations on Ownership of Land

The ability to own land (\textit{i.e.}, to have the right to possess, use, and dispose of land) is, in practice, very limited in Uzbekistan.

Legal entities and individuals (including foreigners) may own the land plots beneath small trading and service facilities (\textit{e.g.}, small shops). Individuals and legal entities (both Uzbek, and in certain cases,

\(^{15}\) Law On Property in the Republic of Uzbekistan, dated 31 October 1990, as amended.
foreign) also may own apartments and houses, including the underlying land plot. Uzbek and, in certain cases, foreign citizens, may own small land plots for personal farming, gardening and leisure.

Although the Land Code provides for the possibility for legal entities (including foreign legal entities) to own land, in practice, ownership of a land plot beneath a medium-sized or large enterprise has not permitted without the authority of a Cabinet of Ministers Resolution or a Presidential Decree. Under the Decree On Additional Measures for the Improvement of Activity Conditions of Diplomatic Representations and International Organizations in the Republic of Uzbekistan, diplomatic representations may own land in Uzbekistan; however, they may do so only for the construction of diplomatic representation buildings and the construction of residences for the heads of diplomatic representations.

Rather than full ownership of land, the enterprise or individual owner (Uzbek or foreign) of an enterprise have been typically granted permanent or temporary land use or lease rights. A permanent or temporary land use or lease right includes the right to possess and use the land, but not the right to dispose of it. The state is the ultimate owner of the land subject to permanent use rights. The land use rights of the seller of a structure are transferred, along with any transfer of ownership of the structure.

However, in 2006, the President adopted a Decree “On Privatization of Land Plots Occupied by Citizens’ and Legal Entities’ Buildings and Structures”, purporting to permit the privatization of land plots underneath buildings and other structures owned by resident individuals and legal entities. The scope of such privatization did not cover vacant land plots or the land plot separately from the overlying building and structures, which could not be privatized. According to

---

the Decree, all permanent and temporary land use rights shall be either privatized into ownership or converted into long-term leases.

However, Uzbekistan adopted a Law *On Privatization of Land for Non-Agricultural Purposes* dated 13 August 2019 allowed Uzbek individuals and legal entities to privatize land, this does not apply to foreign individuals and legal entities.

Following objects, among others, can be privatized under the Law:

- land plots beneath the buildings and structures of legal entities;
- land plots provided to citizens of Uzbekistan for individual housing construction and maintenance of a residential building;
- free land plots, etc.

Land can be privatized either by Uzbek legal entities and individuals that have the permanent use or inherited lifetime possession rights for this land; or the through an electronic online auction.

7.3 Securing Obligations

While the legal right to mortgage (pledge) real property rights as security for a mortgagors’ obligations exists in Uzbekistan, the relevant legislation is limited and inconsistent and the practice of doing so is rather contradictory.

The Civil Code permits a mortgagor to mortgage a building or construction only with the simultaneous mortgage of the underlying land plot.

It should be noted that the provisions of the Land Code conflict with the foregoing rights to mortgage land, stating that a mortgage of land by the possessors and users of land is invalid, although it specifically permits the mortgage of a right to a land plot lease. The Land Code
does not prohibit the mortgage of land by the owner, but, as noted above, in practice one’s ability to own land in Uzbekistan is very limited.

The Civil Code also permits an entire enterprise or other property complex (including both movable and immovable property) to be mortgaged as a whole. However, legislation on the registration of mortgages of enterprises as a whole has not been adopted and, in practice, the assets of an enterprise can be registered only separately rather than as a whole.
8 Specific Industries

8.1 Natural Resources

8.1.1 General

Uzbekistan possesses substantial and diverse mineral resources. Correspondingly, the mining and metals industries play an important role in the country’s economy and national plans for development. In addition to being one of the world’s largest gold producers, Uzbekistan is a substantial producer of uranium. Uzbekistan also produces, among others, copper, silver, coal, lead, zinc, phosphate, molybdenum, potassium and tungsten.

Under the Constitution, subsoil, minerals and land are the exclusive property of the State. The mining and oil and gas industries of Uzbekistan are regulated by national laws and regulations. The Subsoil Law, Regulation “On Procedure and Conditions for Granting the Right to Use Subsoil Plots” (Annex to the Resolution of the Cabinet of Ministers No. 403 dated 23 June 2020), and the PSA Law regulate legal issues pertaining to the use, possession and disposal of subsoil resources in Uzbekistan. In particular, the Subsoil Law and Regulation “On Procedure and Conditions for Granting the Right to Use Subsoil Plots” define types of subsoil use licenses, establish the procedure for obtaining subsoil use licenses, outline the relevant regulatory authorities and the scope of regulatory authorities’ and subsoil users’ rights, and contain provisions regulating subsoil ownership and use. Subsoil use rights related to hydrocarbons and ore and non-ore minerals are granted by the State Committee of the Republic of Uzbekistan on Geology and Mineral Resources (the “Geology Committee”).

Rights are issued on the basis of subsoil use licenses awarded by the Geology Committee as a result of tenders or direct negotiations with

legal entities and individuals. The Geology Committee, being the principal regulatory body, establishes the terms of and conducts tenders for the grant of subsoil use rights and represents the State in the negotiation, implementation and termination of subsoil use licenses. A subsoil user must sign a Licensing Agreement with the Geology Committee which defines the terms and conditions of subsoil use. The Subsoil Law empowers the Geology Committee to change the terms of a subsoil use license in the event that the subsoil user discovers other types of minerals or associated mineral components or a new quality of minerals (i.e. if something valuable unknown at the time of granting the license is discovered at a later stage) not listed in the license.

It is also worth noting that, despite assurances provided in the Subsoil Law with regard to the exclusive right to progress from exploration to production activities, there is in fact no guarantee of continuity of such right since a subsoil user must obtain a separate production license.

A fundamental problem with the regulatory framework in Uzbekistan is the absence of a clear separation between mining and petroleum law. A consequence is that mining companies find themselves subject to various policies, procedures and requirements which are common in the international oil and gas industry but uncommon in the international mining industry.

Uzbekistan’s mineral resource/reserve reporting system is notably different, both in principle and in detail, from generally recognized international systems, such as Australia’s JORC Code and Canada’s CIM standards. Uzbekistan, along with other CIS countries, still uses the former Soviet system for classification of mineral resources and reserves. This categorizes mineral concentrations: (a) according to the extent to which they have been explored and substantiated, specifically: categories A, B, C1 and C2 and three categories of potential resources P1, P2, P3; and (b) on an economic-value basis, with two categories: balance reserves (commercial reserves) and off balance reserves (reserves lacking commercial potential).
8.1.2 Concession Activity

Exclusive rights to subsoil use can be granted to investors through concession agreements. Pursuant to the PPP Law, a concession is a type of the public-private partnership, whereby the government provides the land or property and issues the permit to private partner, allowing the latter to engage in a specific type of business activity on the basis of a concession agreement.

Despite the fact that the land and subsoil of Uzbekistan are the exclusive property of the state, in cases of strategic necessity, importance and economic expedience for the country, the state may assign the rights to possess and use such property to a concessionaire, at the same time reserving the exclusive right to dispose of the concession property. The State has a pre-emptive right to purchase relevant products from the concessionaire.

Under Uzbek law, the supreme state agency authorized to act as party to concession-related relations is the Cabinet of Ministers of Uzbekistan, which may authorize state entities to act on behalf of the Government on concession-related issues.

8.1.3 Production Sharing

The PSA Law governs relations arising from the execution, enforcement and termination of a production sharing agreement (“PSA”) between the Government and an investor with respect to the search, exploration and exploitation of oil, gas and other mineral resources in Uzbekistan.

Under a PSA, the Government grants, in exchange for consideration and for a definite term, the exclusive rights to search, explore and exploit mineral resources on a specific subsoil area.

Under the PSA Law, in exchange for relief from certain taxes, the investor agrees to give the state a share of the resources that it

produces. The investor may pay the state in products or in the form of proceeds from actual sales. The state’s share of these resources consists of a royalty (based on a percentage of gross production) and a portion of “profit production.” Profit production is defined as the production in excess of the compensation amounts of extracted resources given to the state, as well as subsoil use fees (i.e., royalties and bonuses).

The PSA Law provides the following major guarantees to an investor:

- The ownership right to its share of profit production and the right to export such share freely, without quotas;

- A special legislative “stabilization” clause, providing that should the commercial terms of the PSA become less favorable as a result of subsequent Uzbek legislation, the terms of the PSA will apply. However, this provision does not apply to changes in law relating to safety standards for equipment and work, protection of the subsurface and environmental or health safety measures; and

- The right to refer disputes to international arbitration as agreed under the PSA.

The PSA Law exempts an investor (and its contractors and subcontractors) from all the taxes during the search and exploration activities under the PSA. At other stages of geological works, the PSA Law subjects an investor to taxes in the general procedure established under the law.
8.2  Telecommunications

8.2.1  Licenses

The main statutory acts governing telecommunications activities are the Telecommunications Law,\textsuperscript{24} the Informatization Law\textsuperscript{25} and the Radio Frequencies Law.\textsuperscript{26} The Ministry for Development of Information Technologies and Communications of the Republic of Uzbekistan (the “\textit{Information Technologies Ministry}”) is the authorized state body for administering and regulating telecommunication activities and for licensing telecommunication activities.

As discussed in Section 9 below the design, construction and operation of the following telecommunication networks requires licenses issued by the Information Technologies Ministry:

- international telecommunications networks;
- local telecommunications networks;
- intercity telecommunication networks;
- TV and radio Broadcasting networks;
- data communication networks; and
- mobile radio communication networks.

There is no restriction for all types of licenses being issued to a single licensee. However, an individual (customary) international telecommunications license may be issued to only one licensee at a time.

\textsuperscript{24} Law On Telecommunications, dated 20 August 1999, as amended.
\textsuperscript{25} Law On Informatization, dated 11 December 2003.
The licenses are issued for a period ranging from 5 to 15 years. In order to apply for a license one has to pay a nominal state fee for the processing of the license application. There is also a state fee for issuing and extending a license. Only Uzbek legal entities may obtain licenses and engage in telecommunication activities. An entity, which is issued a license, is also required to sign a license agreement that provides for detailed terms of licensed activities, including compliance with the applicable legislation of Uzbekistan.

8.2.2 Radio Frequencies and Telecommunication Devices

The Republican Council for Radio Frequencies (the “RCRF”) allocates particular radio frequencies prior to the issuance of an appropriate license and issues a permit to use such radio frequencies after the license has been granted by the Information Technologies Ministry. The Information Technologies Ministry is a working body of the RCRF.

As a general rule, a permit for the use of certain radio frequencies issued by the RCRF should correspond to the valid period of the license. The RCRF itself usually approves resolutions on the allocation of radio frequencies based on the applications of recipients.

Notably, pursuant to Article 13 of the Radio Frequencies Law, in the event of a violation of the terms of use of the radio frequencies, the licensee’s permit to use the radio frequencies may be suspended by the RCRF. If the licensee fails to remedy the violations within the term set by the competent state authority, the permit will be terminated. Violation of these terms may also lead to suspension or even termination of the relevant telecommunications license.

Most types of the telecommunication equipment are subject to mandatory certification. It is not allowed in Uzbekistan to import and use goods that are subject to mandatory certification without the receipt of such certificates.
8.3 Pharmaceuticals

8.3.1 General

The main law regulating the pharmaceuticals industry is the Law on Medicines and Pharmaceutical Activity, dated 25 April 1997, as amended (the “Law on Medicines”).

The regulatory body governing the healthcare system and pharmaceutical market is the Ministry of Healthcare (the “MOH”). The responsibilities of the MOH include developing state policy and regulation in the sphere of healthcare, granting licenses for pharmaceutical activities, medical activities, exercising state control over healthcare including the registration of medicines and medical products, pharmacovigilance, etc.

The Government of Uzbekistan widely supports and encourages the manufacturing of medicines and medical products in Uzbekistan. Among other preferences provided by the State, the Tax Code provides exemptions from VAT for the import of medicines (including veterinary), raw materials, and medical devices that are not produced locally and are used for the manufacturing of medicines and products of medical (and veterinary) purposes in Uzbekistan.

8.3.2 Registration of Medicines and Medical Products

The following must be registered by the MOH to be manufactured, imported, sold or used in any manner in Uzbekistan:

- Medicines;
- New combinations of registered medicines;
- Medicines in new dosages or medicinal forms or compositions prepared using a new technology;
- Medical devices; and
- Medical equipment.
Medicines prepared in pharmacies in accordance with established receipts and formulas are exempt from the registration.

The registration of any new medicine must be preceded by pre-clinical and clinical trials of the medicine performed in Uzbekistan. Certain medicines may be registered without clinical trials (on the basis of document review and sample analysis results).

The law allows an importation of the following without the registration: orphan medicines; medicines for personal use; and those used for treatment of dangerous infections, (including infections posing epidemiological threat) and imported by order of the MOH.

Among the registration, each medicines batch is subject to safety control.

8.3.3 Licensing

As mentioned in Section 9 below, pharmaceutical activity is a licensed activity. According to the Law on Medicines and Regulation On Order of Licensing of Pharmaceutical Activity dated 12 May 2017, the following activities are licensed:

- Manufacturing of medicines and medical devises;
- Preparation of medicines and medical devises;
- Wholesale of medicines and medical devises;
- Retail sale of medicines and medical devises; and
- packaging and wholesale of plant origin crude medicines.

8.3.4 Sale

In order to import, manufacture or sell (retail and wholesale) medicines, in addition to their registration, as described in Section 8.3.2, the medicines and medical devises are subject to the safety control and certification.
Retail sale of medicines and medical products may be carried out only through pharmacies.

As of 2020, Government introduced pricing regulations which contains the price registration based on information provided by the applicant and prices on medicines in reference countries. The pricing regulations also set forth 15% markup for wholesale of medicines and 20% markup for retail sales.

The MOH establishes a list of over-the-counter medicines. All other medicines are considered as prescription medicines.

Pharmacy institutions need also to comply with a requirement of minimum assortment of products included on the List of Basic Medicines and Medical Products, which is compiled by the MOH.

Production, sale and import of counterfeit and defective medicines is specifically prohibited and prosecuted in Uzbekistan.

8.3.5 Promotion

Uzbek law specifically regulates only “advertising” as a type of promotional activity in the pharmaceuticals market. The legislation of Uzbekistan contains few provisions that specifically regulate practices (other than simple advertising) aimed at the promotion or marketing of medicines.

Advertising is defined in article 4 of the Law on Advertising as “special information disseminated in accordance with legislation in any form and by any means about an individual or legal entity, products, including trademark, service mark and technology, with the purpose of gaining direct or indirect profit (income).”

The Law on Advertising contains general restrictions on advertising that are as applicable to medicines and medical products as to any other product. The general requirements for advertising are legality, accuracy, truthfulness, use of forms and means, not causing any
damages or moral damages to the consumer from such advertising. Only non-prescription medicines may be advertised in mass media.

A permit from the MOH is required to advertise medicines that may primarily or partially be used by minors.

Prescription medicines may be advertised only to healthcare and pharmaceutical professionals in specialized media and at specialized events. Advertising of prescription medicines by placement of advertisements in doctors’ consulting rooms, on items that are publicly accessible (such as, for example, clocks, calendars, umbrellas, lighters, key chains, stationery, ash trays, dishes, souvenirs, etc.) is banned.

In addition, any advertising of medicines aimed at medical professionals and institutions must list scientific data on such medicines, refer to the international non-patented name of the medicine, state that such advertising is designated for medical and pharmaceutical professionals only, and other requisite information.

8.4 Banking

8.4.1 Legal Framework

The banking industry in Uzbekistan is regulated by the Banking Law, the Central Bank Law, various laws, and regulations issued by the Central Bank of Uzbekistan. Uzbekistan has a two-tier banking system, with the Central Bank of Uzbekistan (the “CBU”) comprising the first tier and the remaining banks comprising the second. The CBU is empowered to develop and conduct credit and monetary policy, organize the functioning of payment systems, conduct currency regulation and currency control and ensure the stability of the financial system.

---


Baker McKenzie
8.4.2 Regulatory Bodies

The primary regulatory body governing the banking sector of the Republic of Uzbekistan is the CBU. The CBU is one of the few institutions under the control of the Uzbekistan legislative (rather than executive) branch. The CBU is accountable to the Senate of the Oliy Majlis (the upper chamber). The Chairman of the CBU is nominated and dismissed by the Senate following the recommendation of the President of the Republic of Uzbekistan.

As a regulating and supervising body of the banking industry, the CBU monitors banks' compliance with capital adequacy requirements, liquidity ratios, maximum credit exposures to single borrowers and related parties, maximum investments in fixed and other non-financial assets and limits on contingent obligations and foreign exchange positions. As part of its general oversight role, the CBU establishes state registration and licensing rules and reviews the activities of banks and other financial institutions. The CBU maintains regional offices throughout the Republic of Uzbekistan.

The Association of Uzbekistan Banks is also an important standard-setting body.

8.4.3 Credit Organizations in the Uzbekistan Market

At the moment there are two main groups of credit organizations: banks and non-banking microcredit organizations. A bank is a credit organization which has the right to carry out such banking operations as opening and maintaining the bank accounts of legal entities and individuals and placement of those funds in its own name at its own cost and expense. As opposed to the bank, a non-banking microcredit organization is an entity which is allowed to provide loans in smaller amounts. Both banking and non-banking microcredit organizations are entitled to carry out respective credit operations from the moment of receipt of a license issued by the CBU.
Currently, foreign banks may not establish branch offices in the Republic of Uzbekistan but may set up representative offices and Uzbekistan banking subsidiaries. Non-residents, with few exceptions cannot hold more than 50% of shares of Uzbek banks. In certain cases to acquire shares in Uzbek banks, non-residents must obtain preliminary approval of the Central Bank. Non-residents (including their beneficiary owners) registered in so called “offshore jurisdictions” are prohibited from holding shares in Uzbek banks. The participation of foreign banks in the Uzbekistan market is subject to certain requirements. CBU has the right to impose minimum requirements for charter capital and credit rating foreign banks establishing subsidiaries.

8.4.4 Banking Activities

According to the Banking Law, the list of banking operations includes the following:

- attraction of monetary funds for on-call and term deposits and placements of such funds in the name and at the cost and expense of the relevant credit organizations;
- opening and maintaining bank accounts for individuals and legal entities;
- collecting money, promissory notes and bills of exchange, payment and settlement documents, cash servicing of individuals and legal entities;
- exchanging foreign currency;
- trust management of property under an agreement with an individual or legal entity;
- issuing bank guarantees.

Banks are also entitled to perform certain non-banking operations, including: renting out safe deposit boxes, participating in financial
leasing operations and providing consultancy and other informational services. Credit organizations are prohibited from engaging in any industrial, trade or insurance activities.

8.4.5 Licensing

A credit organization, such as a bank, must be licensed by the CBU in order to conduct its activities. Before receiving a banking license, the founders of a bank must obtain a preliminary permission of the CBU to establish a bank which enables the founders to proceed further with the bank’s registration. The founder shall obtain a banking license within 6 months after the preliminary permission is issued. Newly established banks may obtain a license specifying the types of banking activities which can be carried out by a particular bank. The CBU may refuse to issue the banking license, among others, in the event of the following: non-compliance of the foundation documents with legal requirements; the unsatisfactory financial standing of the founders of the bank; the failure of the nominee key personnel of the bank to meet the qualification requirements; the failure to satisfy payment of the minimum banking charter capital prior to the registration of a bank; the failure to declare the source of funds of the founders (excluding resident individuals who are the founders of private banks); unsatisfactory protection of banking facilities or the failure to equip such facilities with necessary engineering installations.

8.5 Power

The main laws regulating the power sector are the Law On Rational Use of Energy, the Law On Electric Power and the Law On Use of Renewable Energy Sources (“Law On Renewables”). The Ministry of Energy of the Republic of Uzbekistan (MoE) is the key regulator in the power sector.

Uzbekistan is one of the largest electric power producers in Central Asia. Majority of its capacity comprises of fossil-fueled power plants. Uzbek power sector is under reforms mainly aimed at modernizing the current plants and utilizing the renewable energy sources. For these
purposes, Uzbekistan is attracting investments from the major international power companies (e.g., ACWA (Saudi Arabia), Total Eren (France), Masdar (UAE)).

As part of power sector reforms, the state owner power monopoly Uzbekenergo JSC was reorganized by setting up the following new state companies: Thermal Power Plants JSC, National Electric Networks of Uzbekistan JSC and Regional Electric Networks JSC.

**Renewable Energy**

On May 2019 Uzbekistan adopted the Law On Renewables with the purpose to help diversify Uzbekistan’s economy and to lessen its reliance on fossil fuel based energy by developing and regulating a renewable energy sector.

The mandate of the MoE under the Law On Renewables include preparation of regulations; initiation of state support for producers of energy from renewables and producers of equipment for renewables; and maintenance of a state registry of renewables and producers of equipment for renewables.

Tariffs for electricity generated from renewables will be determined based on a competitive bidding process.

State support for investors, for producers of energy from renewables and for producers of equipment for renewables may be in the form of;

- tax, customs and “other incentives and preferences”;
- assistance with creation and application of innovation technologies;
- a state guarantee to connect the equipment for renewables to the unified national electrical network.
Producers of energy from renewables are exempt for 10 years from:

- property tax for equipment for renewables;
- land tax for the land plots occupied by their equipment with a nominal capacity at least 0.1 MW.

These tax exemptions are effective from the date of exploitation of the relevant equipment.

Flexibility is allowed in the sale of energy produced from renewables. Uzbek legislation generally requires electric energy produced by power generating companies to be sold to the single purchaser of electric energy - the state enterprise National Electric Networks of Uzbekistan JSC. In turn, the single purchaser of electric energy concludes contracts with territorial electricity networks for distribution of electric energy to final consumers. However, the Law On Renewables allows territorial electricity networks to conclude electric energy purchase contracts directly with the producers of energy from renewables, provided that the consents of the single purchaser of electric energy and local municipalities are in place.
9 Licenses

9.1 Introduction

Certain activities are subject to licensing in Uzbekistan. The Licensing Law, Resolution of the Oliy Majlis On the List of Types of Activities Subject to Licensing and the Resolution of the Cabinet of Ministers On Measures for the Implementation of Law of the Republic of Uzbekistan on Licensing of Certain Types of Activities constitute the principal legislation in this field. During the past years, the Government has been making efforts to decrease the number of activities subject to licensing and to simplify the licensing procedures.

It should be noted that a number of other types of activities are also subject to various approval or registration requirements in accordance with legislation specifically regulating those activities such as banking, certain construction activities.

9.2 Applying for license

To apply for a license/permit, an applicant must submit an application together with other documents specified by the respective laws and by-laws. Generally, the application and required documents should be submitted to the relevant authority via the Center for State Services.

An applicant must also pay a licensing fee (which varies depending on the type of license). The timing of issuing the licenses varies depending on the type of license.

---

9.3  Consequences of operating without a license

Operating without a license may result in administrative and criminal punishments for the management of the companies.

In addition, operating without a license may constitute a formal ground for the invalidation of any transactions executed without the proper license.
10 Export and Import Regime

10.1 General

Uzbekistan implements a strict import regulation regime. This is due to the Government’s strong local production and export policy, as well as its stringent currency controls.

Registration of contracts with the Ministry for Investments and Foreign Trade (the “MIFT”) is required for the export of certain economically essential items such as precious metals (and goods made from precious metals). Apart from that, import and export of potentially harmful and dangerous goods and products, including military weapons and uranium is permitted after obtaining an import license from the Cabinet of Ministers of Uzbekistan. Also, export contracts concluded on the basis of government acts also need to be registered with the MIFT.

Certain import contracts and project documentations must be evaluated by the Center for Comprehensive Examination of Projects and Import Contracts is a state unitary enterprise under the Ministry of Economy and Industry of the Republic of Uzbekistan. However, this requirement applies to only limited types of entities. Such entities include:

- State-owned entities;
- Projects financed with credits under a guarantee from the Uzbek Government;
- Uzbek entities which are more than 50% owned by the state.

Separately, foreign trade contracts must be registered in the Unified Information System of Foreign Trade Operations (“UISFTO”). Thus, after conclusion of foreign trade contracts, Uzbek entities have to register them in UISFTO online. Authorized banks must have a copy of the import and export contracts to make or receive payments.
11 Privatization

11.1 General Provisions

The primary law governing matters related to privatization of state property in Uzbekistan is the Privatization Law.\(^{32}\) The Privatization Law defines the legal concept of privatization in Uzbekistan, which consists of citizens’ and private legal entities’ acquisition of state-owned facilities or shares in state-owned JSCs. Privatization in Uzbekistan has lagged behind that of a number of other CIS countries. In the first few years following independence, only apartments and very small businesses (e.g., shops) were privatized, while nearly all industrial enterprises and other medium and large enterprises were kept firmly under state control. However, in late 1998 the Government began to actively promote the privatization of major enterprises in a number of key sectors of the economy. Government Resolutions passed in 2005, 2006 and 2007 envisaged an ambitious privatization program for the forthcoming years.

Currently, Uzbekistan implements a large scale privatization program and more than 20 state owned entities are being offered for privatization. In most cases, the Government offers packages of more than 50% of shares of large enterprises for privatization.

The first IPO was conducted in April 2018, where shares in Quartz JSC 7.5 bln Soums were sold. Also, in December 2018, Kokand JSC (a mechanical plant) conducted an SPO for almost 3 bln Soums. Currently, a number of banks and major enterprises are in the process of implementing IPOs and SPOs.

IPOs and SPOs of major mining companies Navoi GMK, Almalyk GMK and Uzmetkombinat are expected to be launched by 2022-2023.

---

11.2 Facilities Subject to Privatization

The Government of Uzbekistan determines the facilities subject to privatization under a program of privatization of state-owned facilities during the current and forthcoming years.

The Agency for State Assets Management is the key agency involved in the process of privatizing state property.

11.3 Forms and Conditions of Privatization

Privatization in Uzbekistan is usually carried out through: (i) a transformation of a state enterprise into a joint stock company or other business company and subsequent sale of shares in such company; or (ii) a sale of state assets to a private investor.

State property is usually sold to individuals and legal entities on a competitive basis, under auctions and tenders, and in other ways, such as direct negotiations, permitted by the laws of Uzbekistan.

On 29 May 2019, Uzbekistan adopted a Public-Private Partnership ("PPP") Law to attract foreign investors for major infrastructure projects. PPP arrangements may be used for a project relating to design, construction, supply, financing, reconstruction, modernization, operation and maintenance of any assets in Uzbekistan, including infrastructure and industrial facilities.

The PPP Law names the Uzbekistan PPP Development Agency (the PPP Agency), under the Ministry of Finance, as the main state authority responsible for implementation of PPP projects. Responsibilities of the PPP Agency include preparation of PPP guidelines and a model PPP contract, approval of tender documentation, and the monitoring of the implementation of PPP projects. The PPP Agency is also in charge with maintaining a publicly available list of all announced PPP projects.
11.4 Limitations on Facilities Subject to Privatization

The Government of Uzbekistan has specified a list of enterprises and items of state property which may not be privatized. This list primarily includes strategic state-owned facilities that affect national interests. The Government has also specified a list of facilities that may be privatized or denationalized only at the discretion of the Government.

Further, the “golden share” mechanism provides the Government with veto power for certain of the most important decisions to be taken by any strategic JSC. The “golden share” does not have any value or percentage in the charter capital of a JSC and is introduced only in certain strategic companies to enable their privatization without risking national interests.

Pursuant to the Privatization Law, the following objects (among others) are not subject to denationalization and privatization: land (with certain exceptions, as provided in Section 7), subsoil and other natural resources, and objects of cultural and historical value.

11.5 Opportunities Available to Foreign Investors

Generally, foreign investors may participate in the privatization process through the acquisitions of:

- Shares in the course of competitive or investment tenders, auctions at stock exchanges, and direct negotiations;

- All or part of an enterprise’s shares, enabling them to establish joint ventures or enterprises based entirely on foreign capital;

- Assets of liquidated (bankrupt) enterprises in open competitive bidding, with requirements announced in advance of the auction;

- Real estate at auctions and via direct sale by tender; and
• Competitive sale of state-owned facilities based on investment agreements.

Foreign investors may also participate in the privatization process by means of:

• Investment in state enterprises, by increasing the charter capital and transforming the state enterprise into a state/joint stock form of ownership and selling part of the shares equivalent to the increased charter capital to a foreign investor;

• Allocation and exchange of shares in privatized state enterprises in investment funds, securities companies, and investment banks established with the participation of foreign capital;

• PPP arrangements; and

• “Turn-key” construction by a foreign investor of a new enterprise where the state holds title to land, or completion of construction of an unfinished structure where the state holds title to a part of the structure.
12 The Judicial System and Dispute Resolution

12.1 Uzbek Judicial System

The upper level of the Uzbek judicial system consists of: (i) the Constitutional Court, which renders decisions on the constitutionality of acts of the legislative and executive branches of Government; and (ii) the Supreme Court, which mostly acts as a supervisory appellate court for civil, economic, administrative and criminal cases (with several minor exemptions) and which analyzes court practice and oversees the work of the lower level courts.

The lower levels of the Uzbek judicial system of civil, administrative, criminal and economic courts comprise regional, city and district (or interdistrict) courts; and district and regional military courts.

Economic courts consider disputes relating to commercial activity while the administrative courts deal with disputes with state authorities.

12.2 Judges

Judges of the lower regional, city and district courts are appointed by the High Judicial Council. The High Judicial Council also nominates other judges for appointment by the President, Karakalpakstan’s Parliament and the Oliy Majlis, which appoints judges to the Constitutional Court and the Supreme Court.

12.3 Settlement of Economic Disputes

With regard to disputes arising in connection with foreign investments or related activities, the disputing parties are privy to the following dispute resolution mechanisms: negotiations, mediation, dispute resolution by Uzbek economic courts, Uzbek domestic arbitration courts or international arbitration. Notably, Uzbek domestic arbitration courts may apply only Uzbek law when adjudicating disputes. Where a contract between two legal entities (local and/or foreign) is governed
by Uzbek law and it does not specify the jurisdiction for dispute resolution, the district (interdistrict) economic court will hear the dispute upon the petition of one of the parties.

The Economic Procedure Code\(^{33}\) provides that foreign parties shall have the same procedural rights and duties as Uzbek parties in matters before an Uzbek court.

Foreign investors typically insist on a contract clause specifying that binding international arbitration will be the exclusive means of resolving disputes. Without such clause, it is very hard to have the dispute adjudicated by international arbitration.

In order to attract foreign investors to settle their disputes in Uzbekistan, in November 2018, upon the decision of the President of Uzbekistan, the Tashkent International Arbitration Center (TIAC) under the Chamber of Commerce and Industry of the Republic of Uzbekistan was established. The TIAC settles international disputes between local and foreign companies, including foreign investors, and it proposes that parties use a wide range of alternative dispute resolutions, including mediation, emergency arbitration, etc.

Uzbekistan is a party to several CIS and bilateral treaties on the recognition and enforcement of foreign court decisions.\(^{34}\) At the same time, there are no treaties with any of the developed Western jurisdictions and, therefore, the enforcement of court decisions issued in those jurisdictions is impossible in Uzbekistan.

Uzbekistan has also signed and ratified the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.\(^{35}\)

---


\(^{34}\) Azerbaijan, Bulgaria, China, Czech Republic, Georgia, India, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Russia, Turkey, Turkmenistan and Ukraine.

Uzbekistan is a party to several investment and juridical cooperation treaties with foreign countries containing dispute resolution clauses that apply to disputes between the state and investors. Uzbekistan has also signed and ratified the ICSID Treaty.\textsuperscript{36} Thus, certain disputes against the Republic of Uzbekistan may be eligible for arbitration under the auspices of ICSID.

\textsuperscript{36} Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the ICSID Treaty) of 1965.
13 Intellectual Property

13.1 General Provisions

Legislation on intellectual property includes the Civil Code, the Copyright Law,\(^{37}\) the Trademark Law,\(^{38}\) the Patent Law,\(^{39}\) the Law on the Selection Achievements,\(^{40}\) and the Law on Computer Programs and Databases.\(^{41}\) Intellectual property rights in Uzbekistan include: (i) all rights to industrial property (including inventions, industrial designs, utility models, company names, trademarks, service marks, appellations of origin of goods, etc.); and (ii) copyright and related rights.

Uzbekistan is a party to a number of international treaties including:

- the Convention Establishing the World Intellectual Property Organization;
- the Paris Convention for the Protection of Industrial Property;
- the Patent Cooperation Treaty;
- the Madrid Agreement Concerning the International Registration of Trade Marks;
- the Trademark Law Treaty;
- the Eurasian Patent Convention;


\(^{40}\) Law On the Protection of Selection Achievements, dated 30 August 1996, as amended.

\(^{41}\) Law On Computer Programs and Databases, dated 6 May 1994, as amended.
• the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of Registration of Marks;
• the Strasbourg Agreement concerning the International Patent Classification;
• the Berne Convention for the Protection of Literary and Artistic Works;
• the Rome Convention for the Protection of Performers, Phonogram Producers and Broadcasting Organizations;
• the Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite; and
• the WIPO Performances and Phonograms Treaty (WPPT).

Uzbekistan is a “first to file” and not a “first to use” jurisdiction, meaning it is important to register as soon as possible to protect industrial property rights (such as trademarks, inventions, utility models and designs) in Uzbekistan.

13.2 The IP Agency

The principal government agency involved in registration, regulation, protection and other matters pertaining to inventions, utility models, industrial designs, selection achievements, trademarks, service marks, appellations of origin, works of science, literature and art (copyright and related rights), and computer programs in the Republic of Uzbekistan is the State Intellectual Property Agency of Uzbekistan (the “IP Agency”).

13.3 Inventions, Utility Models, Industrial Designs and Selection Achievements

Patent protection is given to an invention if it is novel, involves an inventive step and is industrially applicable. A patent for an invention
is granted for 20 years. In certain cases, patents can be extended for a term not exceeding five years.

A utility model is granted patent protection if it is novel and industrially applicable. The term is five years, which may be extended for three years.

Patent protection is granted to an industrial design if it is novel, original (creative) and industrially applicable. The term of patent for an industrial design is ten years and may be extended for a further five years. A selection achievement is granted patent protection if it is novel, distinct, uniform and stable.

Patents may be assigned and/or licensed by their owner(s) to natural persons or legal entities. However, an assignment or license agreement must be registered with the IP Agency to be valid. Infringements of patents entail civil, administrative and criminal liability.

13.4 Trademarks, Service Marks and Appellations of Origin of Goods

Under the Trademark Law, a trademark or service mark is a sign or designation which has been registered according to the Law or which has been recognized as a generally known mark in Uzbekistan or which is protected without registration under international agreements to which Uzbekistan is a party. The intent of trademark protection is distinguishing the goods (services) of one legal entity or natural person from the goods (services) of the same type of other legal entities or natural persons. A “collective” trademark is a trademark of an association or other group which is used to designate a particular product or service which has a common feature or quality. An “appellation of origin of goods” is a geographical name which is used to identify a product as having specific characteristics which are associated with a place of manufacture. Legal protection is given to appellations of origin of goods based on registration with the IP Agency.

Baker McKenzie
The registered owner may not grant licenses for the use of the appellation of origin of goods. Trademark/service mark registration is granted for a term of ten years, renewable every ten years. Registration of trademarks/service marks can be cancelled on the basis of an application of an interested party if the mark has not been used for a period of five years, and in certain other cases.

Assignments or licenses for trademarks and service marks must be registered with the IP Agency to be valid. In order to register the respective agreements, these must meet certain legislative criteria.

13.5 Copyrights and Related Rights

The Copyright Law protects works of science, literature and art (copyrights), as well as performances, phonograms, and TV and radio broadcasting or cablecast organizations. Copyright protection is granted to an author without any registration or formal requirements. Rights to use a copyrighted work may be assigned. The copyright is protected for the lifetime of the author plus 50 years. Infringement of one’s copyright may give rise to civil, administrative and criminal liability. Copyright royalties, with respect to most works in Uzbekistan, are collected by collective rights management societies.

13.6 Computer Programs and Databases

Computer programs and databases are protected under the Law on Computer Programs and Databases and the Copyright Law. The production and distribution of infringing copies of computer programs, unlawful alteration of existing programs and their distribution and unlawful access to legally protected computer information may give rise to civil, administrative and criminal liability.
14 Anti-Monopoly Regulation

14.1 General

The state body responsible for the supervision and control of competition matters in Uzbekistan is the Anti-monopoly Committee. The Competition Law, the Natural Monopolies Law\(^{42}\) and various regulations adopted by the Anti-monopoly Committee regulate competition matters in Uzbekistan.

As per the Natural Monopolies Law, entities operating within certain industries are referred to as “natural monopolies.” The Anti-monopoly Committee maintains a register of natural monopolies and heavily regulates such industries and companies. Among other things, the Anti-monopoly Committee approves the tariffs and prices established by the natural monopolies. The companies in the following industries are considered natural monopolies:

- transportation of oil, oil derivative and gas via trunk pipelines;
- generation and transportation of electricity and heat energy;
- provision of electricity dispatch services;
- railway transportation using railway infrastructure;
- public postal services;
- providing services of water and sewage systems;
- air navigation, airport and harbor services.

In addition to the above, the Anti-monopoly Committee also maintains the register of entities having a dominant position in the market. Under the Competition Law, a legal entity is deemed to occupy a dominant position if its market share equals or exceeds 50% of the relevant market in Uzbekistan. In certain cases, however, companies whose

\(^{42}\)Law On Natural Monopolies, dated 24 April 1997, as amended.
market share is between 35% and 50% of the market can also be officially declared by the Anti-monopoly Committee as having a dominant position. The Anti-monopoly Committee maintains the list of dominant companies.

14.2 Control over Economic Concentrations

The Anti-monopoly Committee is responsible for enforcing merger control regulations and the following economic concentrations (transactions) may be carried out only after obtaining written approval from the Anti-monopoly Committee:

(i) reorganization of a company by means of a merger or amalgamation;

(ii) acquisition by a company (or by a group) of more than 50% of shares (participatory interests) in another company;

The transactions listed above require the prior approval of the Anti-monopoly Committee if:

a. the total value of the worldwide assets or the annual turnover of the purchaser and the target for the preceding year is above 100,000 times the BCU (approximately US$ 2.22 million); or

b. one of the parties has a dominant position.

14.3 Unfair Competition Restrictions

The Competition Law restricts unfair competition, including the following activities:

- inappropriate comparison, as a result of which another business may suffer damages or damage to its business reputation;
• sale of goods (and services) with the unauthorized use of one’s intellectual property or another means of individualization;

• misrepresentation regarding mode, method and place of production, consumer properties, price, quality of goods, manufacturer’s/provider’s guaranties, imitation of goods manufactured by other companies by reproducing the external appearance of the goods, their name, labeling, trademark or another means of individualization of another legal entity, copying advertising materials, branded packaging and form of the goods;

• obtaining, using and disclosing scientific and technical, manufacturing and commercial information, including trade secrets, without the authorization of its owner;

• blocking another business entity from accessing the market; and

• acquiring exclusive rights to a third-party product or company individualization.

Entities that hold a dominant position are also subject to a number of other restrictions related to the abuse of their dominant position, such as:

• decreasing the volume of traded goods with the purpose of creating or supporting a deficit of goods or services, leading to overpricing;

• establishing monopolistic high prices or monopolistic low prices;

• imposing contract terms, not related to the subject of the contract, including the unreasonable requirement to transfer money, other assets and proprietary rights, as well as
requirements to carry out other actions that may lead to the restriction of competition;

- inserting discriminatory terms into contracts and restricting or limiting other business entities’ ability to acquire or sell goods manufactured by other business entities (competitors);

- agreeing to conclude a contract only subject to the counterparty purchasing or selling other goods, or subject to the counterparty refraining from purchasing goods from other entities or selling goods to other business entities;

- unjustly refusing to conclude a contract despite the ability to manufacture or sell the goods;

- creating obstacles for the market entry of other business entities (competitors).

14.4 Liability for Violation of Anti-Monopoly Legislation

Violations of the anti-monopoly legislation (including anti-competitive arrangements, tender procedure violations, unfair competition, failure to obtain approval of a merger when such approval is required, failure to obey the orders of the competition authorities or monopolistic activity) may entail civil, administrative, and criminal liability. In case of an unauthorized acquisition, the Anti-monopoly Committee has a right to seek in court a reversal of the transaction and the recovery of damages.
15  Product Liability

15.1  Product Liability

The Civil Code and the Consumer Protection Law\(^43\) govern product liability. Under the Civil Code and the Consumer Protection Law, a consumer has rights to freely enter into agreements to purchase goods and to use works and services; to goods (works, services) that meet certain quality and safety standards; to be provided with full and reliable information on goods (works, services); to join public associations of consumers; and to compensation for damage caused by any defects.

Sellers and manufacturers must not, directly or indirectly, restrict any consumer protection rights granted to consumer by law. Sellers and manufacturers are obliged to ensure that goods are of the required quality, and have a duty to inform the consumer of any possible defects. If a defect exists, a consumer may demand one of the following: proportionate reduction of the purchase price; elimination of defects in the goods free of charge within a reasonable period; reimbursement of his/her expenses incurred in connection with the elimination of the goods’ defects; replacement of the improper quality goods for the goods conforming to the contract; termination of the contract and refund of the price paid for the goods. A consumer may terminate the agreement and claim damages if he/she has received unreliable or incomplete information regarding the product. The harm caused to life, health or property of the citizen as a result of any defects in the goods must be compensated in full.

15.2  Certification

Certain types of products that are manufactured in or that are imported into Uzbekistan must comply with local standards of quality and safety (in certain cases, also sanitary and hygiene standards) and must have a certificate of conformity to such standards. In addition to

that, some consumer products to be imported and sold in Uzbekistan must bear labels and information about the product and its manufacturer in Uzbek language. Testing and issuance of certificates of conformity are performed in Uzbekistan, except where Uzbekistan recognizes certificates of conformity issued abroad.
16 Climate Change

16.1 Introduction


Also, on 19 April 2017, Uzbekistan signed the Paris Agreement within the framework of the United Nations Framework Convention on Climate Change. The Paris Agreement was ratified on 2 October 2018.

As further commitments in response to climate change, Uzbekistan recently adopted following:

- Concept of environmental protection of Uzbekistan until 203044;
- Strategies for transition of Uzbekistan to the green economy for the period of 2019 - 203045.

Both documents focus in preservation of nature, restriction of emissions and support generating renewable energy.

44 Presidential Decree No.UP-5863 On Approval of the Concept of Environmental Protection of the Republic of Uzbekistan until 2030 dated 30 October 2019
17 Language Policy

The state language in Uzbekistan is Uzbek.

All state agencies must maintain their documentation in the Uzbek language. However, in many instances the state agencies issue or translate documents into other languages (mostly Russian).

The records and data of all organizations and associations should be kept in the Uzbek language. In practice, such documentation is frequently kept in both Uzbek and Russian.

The general practice in Uzbekistan is that contracts with foreign parties are executed in two languages: Russian/Uzbek and any other language acceptable to both parties. Both versions will have equal force, unless provided otherwise. A failure to have a contract executed in Uzbek and/or Russian will not result in an invalidity of the contract.

Any contract which requires registration or filing with a state agency must be accompanied by a certified translation into Russian or Uzbek. However, in certain cases only documents in the Uzbek language are accepted. For example, foundation documents for the formation of an Uzbek legal entity must be in Uzbek, documents in Russian alone are not acceptable. This reflects what appears to be strong Government support for the use of the Uzbek language for official documentation, which is slowly leading to a wider use of the Uzbek language.
18 Compliance with Anti-Corruption Regulations

Uzbekistan’s anti-corruption legislation consists of the Anti-Corruption Law\textsuperscript{46}, Criminal Code\textsuperscript{47}, Law on State Procurement, Law on Administrative Procedures, and Resolution of the Supreme Court of the Republic of Uzbekistan “On Court Practice Relating to Bribery”\textsuperscript{48}.

In Uzbekistan only individuals can be subject to a criminal liability.

The Criminal Code penalizes several crimes of corruption, namely: the bribe taking, directly or through an intermediary, by a state official\textsuperscript{49}; provision of a bribe, directly or through an intermediary, to a state official\textsuperscript{50}; serving as an intermediary in receipt or provision of a bribe\textsuperscript{51}; provision of a bribe to a state employee, who is not a state official\textsuperscript{52}; and receipt of a bribe by a state employee, who is not a state official\textsuperscript{53}, commercial bribery of official of private company or non-governmental organization,\textsuperscript{54} and commercial bribery of employee of private company or non-governmental organization \textsuperscript{55}.

The Criminal Code’s definition of an “official” is rather vague. Criminal Code defines an official as an individual vested with executive management and/or business management authorities.

Under the Criminal Code, the bribery of a state official and the bribe taking by a state office is punishable by a fine or restriction of freedom or imprisonment for up to fifteen years. However, an individual

\textsuperscript{46} The Law On Combatting Corruption dated 3 January 2017
\textsuperscript{49} Article 210 of the Criminal Code.
\textsuperscript{50} Article 211 of the Criminal Code.
\textsuperscript{51} Article 212 of the Criminal Code.
\textsuperscript{52} Article 213 of the Criminal Code.
\textsuperscript{53} Article 214 of the Criminal Code.
\textsuperscript{54} Article 192-9 of the Criminal Code.
\textsuperscript{55} Article 192-10 of the Criminal Code.
charged with provision of a bribe may be relieved from a criminal liability if the crime was committed due to an extortion of bribe and if an individual charged with provision of a bribe pleaded guilty and cooperated with investigation authorities.

Although the Criminal Code provides for its extraterritorial application, in Uzbekistan, as a rule, anti-corruption legislation applies only in cases when the crimes were committed on its territory. Prosecution for corruption crimes is limited in Uzbekistan.

Uzbekistan established the State Agency for Prevent a Corruption. The main goal of this law enforcement agency is prevent the corruption, investigate corruption offence, and supervise and monitor the implementation the state anticorruption program.
19 Data Protection

19.1 General

The processing of personal data in Uzbekistan is regulated by the Personal Data Law dated 2 July 2019, as amended (the “Personal Data Law”), and certain regulations adopted further to the Personal Data Law.

19.2 Scope of the Law

Data subjects (i.e., individuals / natural persons), operators and owners of databases containing personal data, as well as third parties, are subject to the Personal Data Law. The Personal Data Law is not specific with respect to its application to foreign individuals and companies. We understand that territorial principles should apply, and foreign companies may be subject to the Personal Data Law to the extent they are engaged in the collection, processing or disclosure of personal data in the territory of Uzbekistan.

19.3 Definition of “personal data”

“Personal data” under the Personal Data Law is defined broadly to include any information (in paper, electronic or other tangible form) relating to an identified or identifiable data subject.

19.4 Main rules

The main rules for the collection and processing of personal data in Uzbekistan are as follows:

a. Generally, personal data can be processed after obtaining the consent of subjects. Subject to certain exemptions, consent can be made in any form, provided that its receipt is evidenced.
b. Personal data subjects may generally withdraw their consent for data processing at any time. However, such withdrawal should not breach the existing legislation.

c. Operators and/or owners of databases should clearly define the purposes of data processing. After achieving such purposes, personal data must be destroyed.

d. In certain cases, consent should be verified by a subject’s signature (including electronic signature), including cases when:

   o Subjects’ special data is to be processed;
   o Personal data is included in the publicly available information sources; and
   o Operators and/or owners of databases delegate data processing to third parties.

e. Personal data may be processed without the consent of subjects in specific cases provided in the Personal Data Law, including in case of the law enforcement agencies carrying out their activities, the state authorities using the personal data (which must be de-personalized) for statistical purposes, the disclosure of personal data when this is required by legislation, etc.

f. Operators and/or owners of databases may provide access to personal data to third parties in accordance with the terms and conditions of a subject’s consent given to such parties pursuant to item (a) above.

g. Personal data cannot be transferred to a party that does not have measures for data protection.

h. Subjects have the right to request access to their personal data previously collected by operators and/or owners of
databases, and information on how data is processed, the list of third parties to whom data is disclosed, etc.

i. Except for simple databases (i.e., those containing very basic data and/or maintained in a non-electronic form), databases should be registered with the State Center for Personalization under the Cabinet of Ministers of Uzbekistan.

19.5 Trans-border flow of personal data

As a general rule, personal data may be transferred to countries that provide adequate data protection.

The Law does not define the term “adequate” and it is not clear how the adequacy of data protection in a particular country will be determined.

19.6 Localization requirement

As of 16 April 2021 personal data must be stored by data owners and operators in a database situated in Uzbekistan (the so-called “localization requirement”).

19.7 Consequences of non-compliance

Uzbek laws envisage administrative and criminal offenses for breaching the personal data legislation. The penalties for such an offense include relatively modest financial penalties for the management of companies (generally, fines of up to USD 1,100) or corrective works.

In addition, data subjects who suffer harm as a result of an infringer’s breach of Personal Data Law may have the right to take civil action against such companies and/or individuals, and seek damages.
Baker McKenzie helps clients overcome the challenges of competing in the global economy.

We solve complex legal problems across borders and practice areas. Our unique culture, developed over 70 years, enables our 13,000 people to understand local markets and navigate multiple jurisdictions, working together as trusted colleagues and friends to instil confidence in our clients.

Baker & McKenzie International is a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a “partner” means a person who is a partner or equivalent in such a law firm. Similarly, reference to an “office” means an office of any such law firm. This may qualify as “Attorney Advertising” requiring notice in some jurisdictions. Prior results do not guarantee similar outcomes.

© 2021 Baker McKenzie. All rights reserved.

bakermckenzie.com