

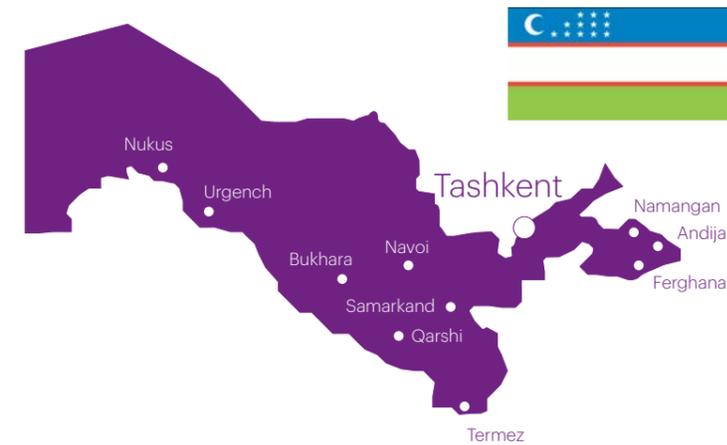
大成 DENTONS

# Doing business in Uzbekistan



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## Some statistics about Uzbekistan

Source: The State Committee of the Republic of Uzbekistan on Statistics.

Capital	Tashkent
Population	33.72 million
Area	447,400 sq. km.
Government type	Presidential republic
Legal system	Civil law system
Currency	Uzbekistani Som (UZS)
GDP (2018)	US\$50.5 billion
GDP per capita (PPP) (2018)	US\$6,240.30
Inflation rate	14.3% (2018); 4.3% (January - March 2019)
Benchmark interest rate	16%
Exports	US\$14.258 billion (2018); US\$4,132.7 million (January - March 2019) - energy products, food products, chemical products, ferrous and non-ferrous metals, textiles, cotton fiber, vehicles and equipment
Export partners	China, Russia, Kazakhstan, Turkey, Republic of Korea, Germany
Imports	US\$19.557 billion (2018); US\$5,273.5 million (January - March 2019) - particularly vehicles and equipment
Import partners	Russia, Kazakhstan, Turkey, Afghanistan, Kyrgyzstan

# Section 1

## Uzbekistan at a glance

World Bank "Doing Business" rank (2020)  
Uzbekistan is placed among the world's  
Top 20 reformer countries

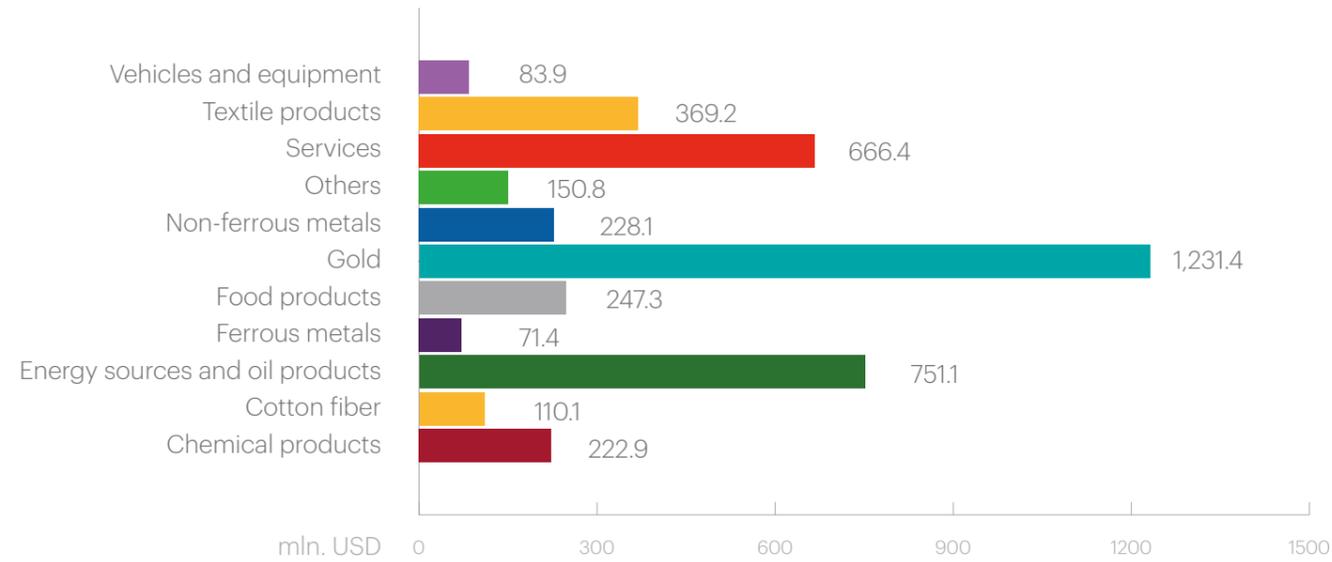
**69** out of **190**

Transparency International 'Corruption  
Perception Index' (2018)

**158** out of **180**

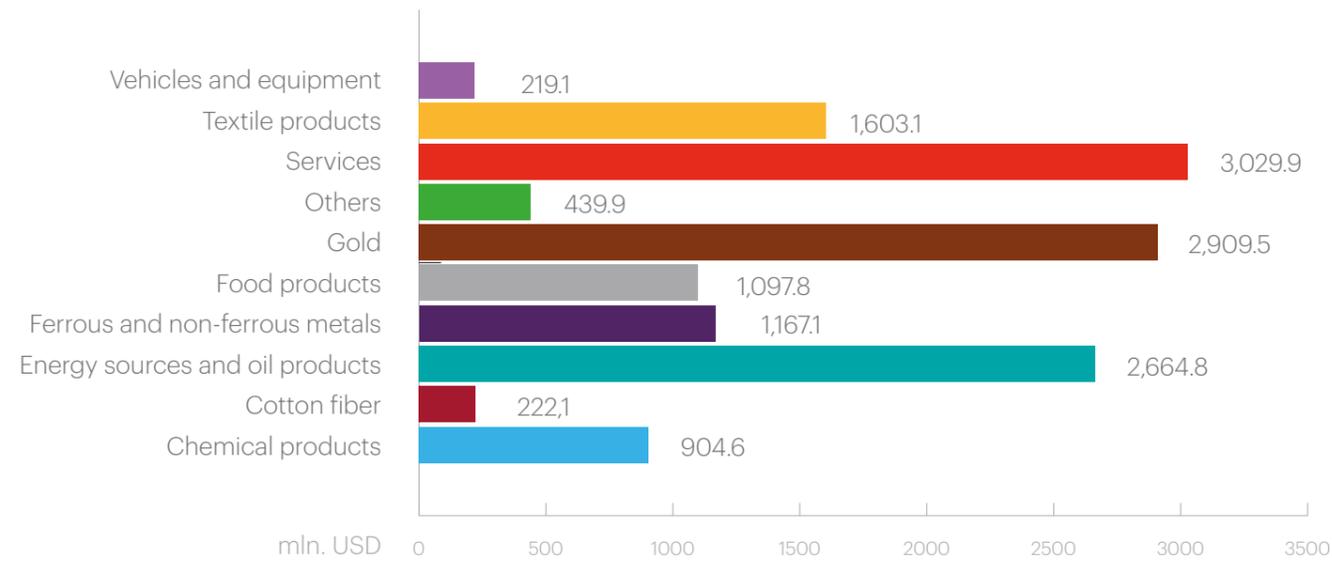
## Structure of exports of Uzbekistan (January - March 2019)

Source: The State Committee of the Republic of Uzbekistan on Statistics.



## Structure of exports of Uzbekistan (2018)

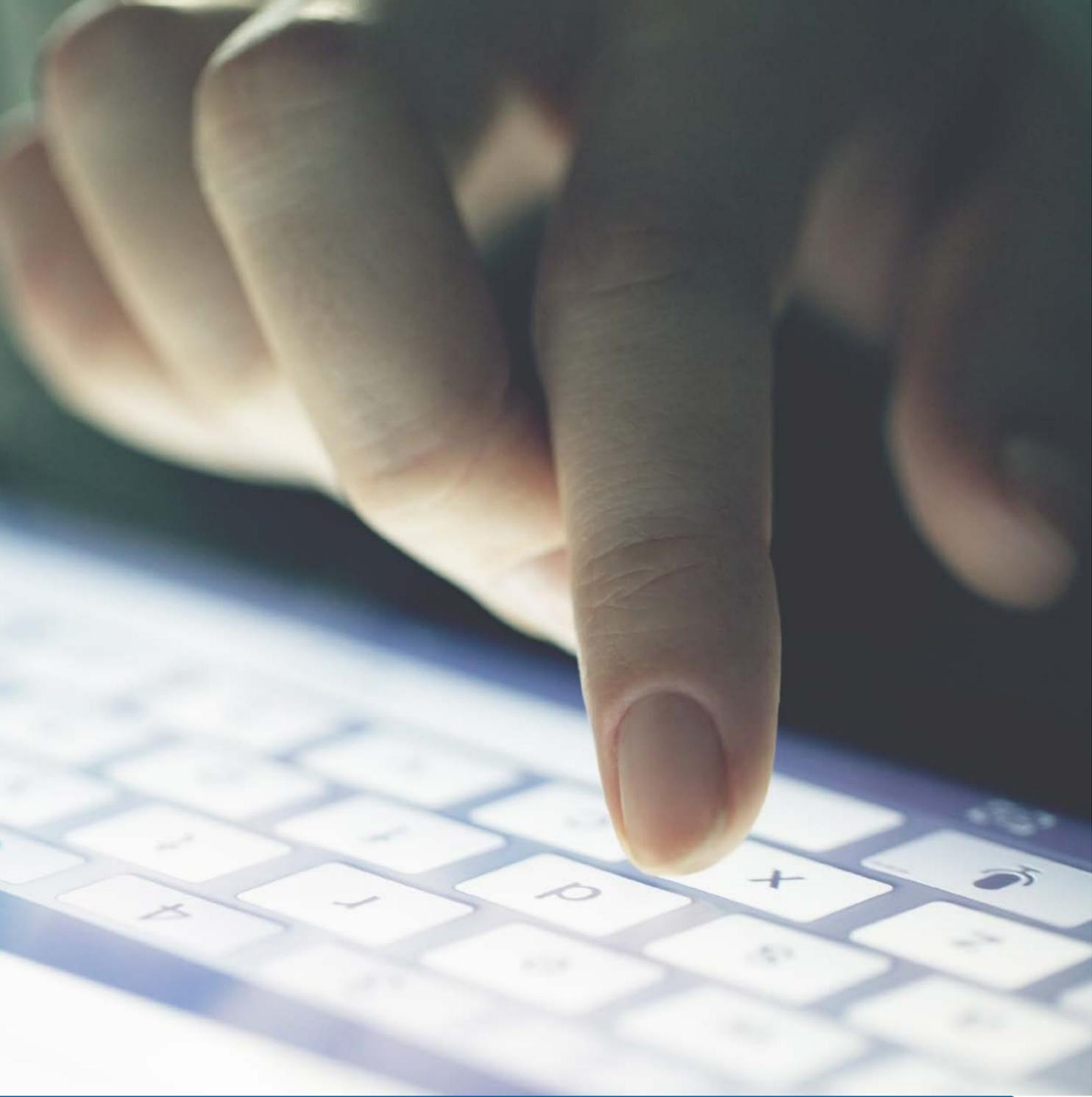
Source: The State Committee of the Republic of Uzbekistan on Statistics.



## Top 5 foreign trade partners of Uzbekistan

Countries	Foreign Trade Turnover 2018	Countries	Foreign Trade Turnover January - March 2019
China	US\$6.428 billion	China	US\$ 1.864 billion
Russian Federation	US\$5.731 billion	Russian Federation	US\$ 1.481 billion
Kazakhstan	US\$3.022 billion	Kazakhstan	US\$ 782.9 million
Turkey	US\$2.718 billion	Republic of Korea	US\$ 696.8 million
Republic of Korea	US\$2.137 billion	Turkey	US\$ 507.9 million





# Section 2

## Setting up a business

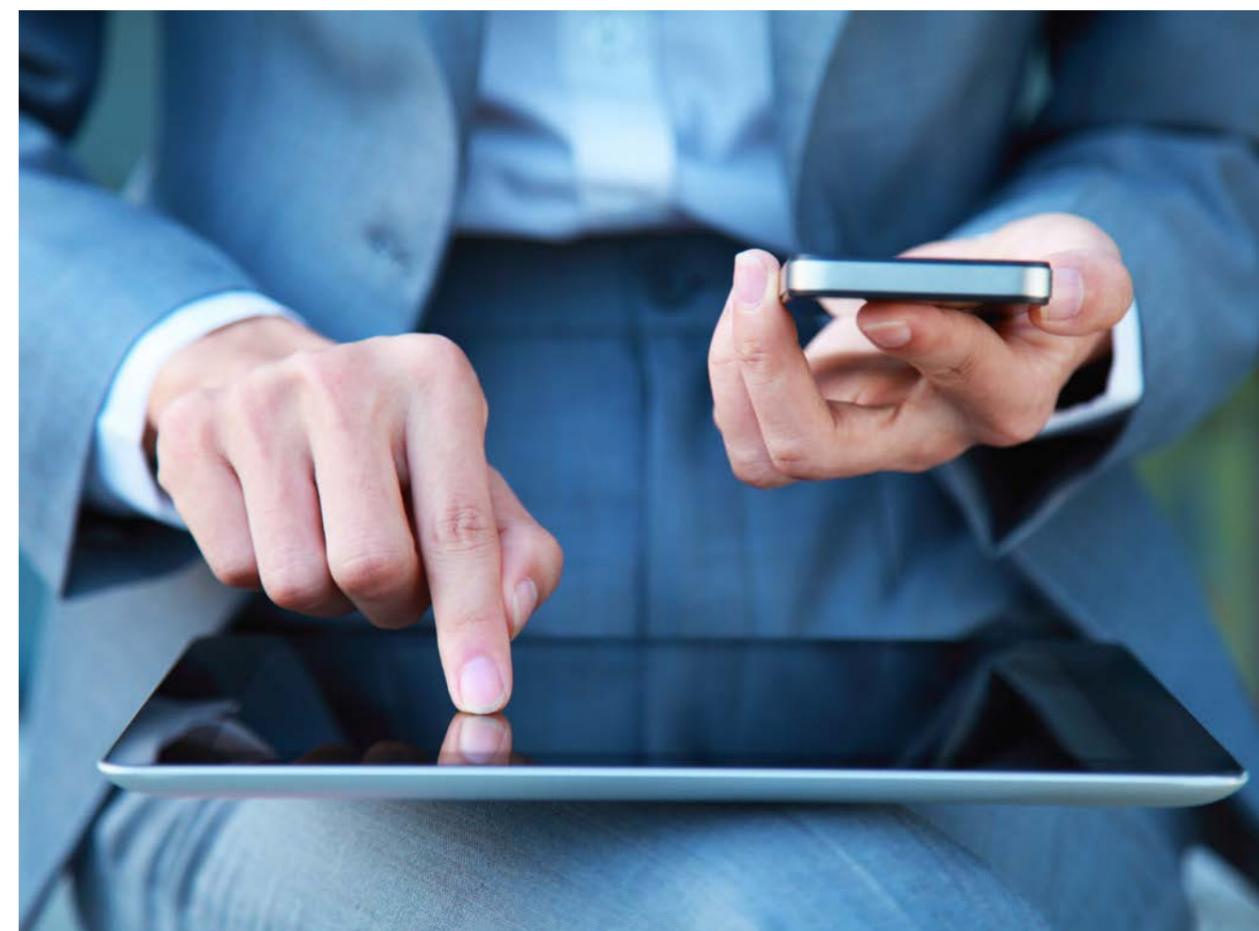
### 2. Setting up a Business

#### 2.1. Main rules

**2.1.1. Access to Commonwealth of Independent States (“CIS”) Free Trade Zone:** Uzbekistan is a member of the CIS and as such is a signatory to a number of political and economic treaties signed by the members of the CIS. Uzbekistan is a member of the CIS Free Trade Agreement signed by the following countries: Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine. The free trade regime allows duty-free trade with no tariffs.

**2.1.2. Running a business:** Depending on the nature of your business, you can establish your legal presence by setting up a local subsidiary, by entering into a joint venture, or by maintaining a representative office for marketing and client support purposes.

**2.1.3. Types of companies:** If you would like to establish a subsidiary or a joint-venture company, there are a number of company-type choices. The most commonly used forms by foreign businesses are Joint Stock Companies (JSC – “Aksiyadorlik Jamiyati”) and Limited Liability Companies (LLC – “Mas’uliyati Cheklangan Jamiyat”). Either type of company can be wholly owned by a foreign investor, irrespective of the country of origin. In the following table you can see the key differences between the types of companies.



## 2.1.4. Differences between JSC and LLC:

Criteria	JSC	LLC
Minimum capital requirement	The requirement for minimum charter capital has been abolished (minimum charter capital requirement remained only for some entities involved in licensing activities, e.g. banks and microcredit organizations)	The requirement for minimum charter capital was abolished in March 2019 (minimum charter capital requirement remained only for some entities involved in licensing activities, e.g. banks and microcredit organizations)
Minimum and maximum number of shareholders	1 – indefinite	1 – 50
Is it necessary to issue and register company shares at the stock exchange?	Yes	No
Is it mandatory to have a Supervisory Board?	Yes	Optional
Should company shares be kept with local depositories?	Yes	No
Can you sell the company's shares outside of the stock exchange?	No	Yes
Are shareholders liable for the company's debts and obligations after the shareholders have fully paid up the shares?	No	No
Is it mandatory to comply with the Corporate Governance Code?	No (it has recommendatory force)	No
How long does it take to sell a share in the company, on average?	Up to seven months	Up to two months

The Limited Liability Company (LLC) is the most popular type of company due to the relative simplicity of its flexible rules on corporate governance, raising capital and others. The Joint Stock Company (JSC) is generally recommended as a legal form only in cases where you are planning a public offering of the company's shares.

**2.1.5. Fast track incorporation:** You can register a company within 1 day once you upload all the documents online<sup>1</sup> or file them in person. Despite the new system allowing online formation of companies, many companies are still established by filing documents in person.

**2.1.6. Freedom to employ expats:** Foreign nationals can be appointed as officers and executives in a company or hold any other job position. However, a confirmation of the right to work should be obtained for the foreign employee (to work in Uzbekistan) and a corporate work permit for the company (to hire foreign citizens). The work permits are usually issued for a term of six months or one year. The duration of the employment visa is tied with the duration of the work permit.

**2.1.7. How to buy a business:** You can buy a business in Uzbekistan either by purchasing the shares of the company or by acquiring all or part of the assets of the company.

**2.1.8. Company liquidation:** Liquidation is a time-consuming process requiring, on average, no less than 6 months, and involving tax audits, archiving of all company documentation, and clearance of all payable and receivable debts.

### 2.1.9. Non-corporate forms of business:

Foreign-registered companies can conduct business in Uzbekistan, without having to incorporate a subsidiary or branch, on the basis of direct contracts with local partners. In such cases, such non-resident foreign companies may perform work or services without assuming any corporate form by registering their "permanent establishment" on an ad hoc basis. In general, it is obligatory to establish a taxable 'permanent establishment' if you do work or provide services in Uzbekistan for more than 183 days in a consecutive 12-month period. Depending on whether or not the company's home state has a double taxation treaty with Uzbekistan, this may represent an effective means of doing business.

## 2.2. Recommendations

### 2.2.1. Seek legal advice at the outset:

Choosing the right corporate form is critical, since this will directly affect the tax regimes available to your business. Early consultation is essential, in order to avoid any delays in setting up a business.

### 2.2.2. Assemble key personnel for the company:

You need to appoint a general director once the company is registered, in order to open the company's bank accounts. Considering that the company is obliged to make tax, statistical and financial reports once it is registered, it is also worth having an accountant to oversee the company's books right from the outset (or outsource this function to an accounting firm). You should identify these two key personnel as early as possible before setting up a business.

## 2.3. Things to watch out for

**2.3.1. Antitrust clearance:** Notwithstanding whether you are acquiring a company by shares or through assets, the transaction may be subject to prior clearance with the Antimonopoly Committee of the Republic of Uzbekistan.

**2.3.2. Tax clearance:** If you are buying company shares, you are likely to be treated as a tax agent for withholding corporate profit tax in respect of monies to be paid to the seller of the shares. Make sure that you are prepared to meet your obligations as a tax agent in Uzbekistan.

**2.3.3. Valid work permits:** When you employ foreign employees in your local company, make sure that you maintain valid work permits both for the foreign employee (to work in Uzbekistan) and the company (to hire foreign citizens). You will also need to file for the extension of such permits on a timely basis - at least one month in advance. At the same time, the requirement for obtaining (extending) permits to attract highly qualified and qualified foreign specialists to Uzbekistan was abolished by the Resolution of the President of Uzbekistan No.PP-4008 dated 07.11.2018.

**2.3.4. Valid representative office:** When you choose to maintain a representative office, make sure that you file for extension annually. Once every three years, you will need to resubmit a newly legalized/apostilled corporate documents with notary Russian/Uzbek translation of the head office.

**2.3.5. Mandatory insurance of employer liability:** A newly registered company must purchase an insurance policy for its liability as employer within 15 days of its incorporation.

**2.3.6. Postal address:** Once the registration is completed, the company needs to select an office premise that will be used as its postal/legal address. Most commonly, companies sign lease contracts or buy office space.

<sup>1</sup> fo.birdarcha.uz



# Section 3

## Incentives for foreign direct investment (FDI)

### 3. Incentives for Foreign Direct Investment (FDI)

#### 3.1. Main rules

##### 3.1.1. Foreign direct investment (FDI) policy:

Since 2016, Uzbekistan introduced a wide range of reforms to encourage foreign investments including reduction of minimum charter capital sizes for enterprises with foreign investments, liberalization of the foreign exchange system, reduction of taxes and mandatory contributions, and other reforms.

Moreover, the Strategy Action for Five Priority Directions of Development of Uzbekistan for 2017-2021 also encourages an active investment policy, aimed at modernization, technical and technological renewal of production, implementation of projects of production, transportation and communication, as well as social infrastructure. To achieve this, the Government highlights the importance of improvement of the investment climate, active attraction of FDI into various regions and sectors of economy.

##### 3.1.2. Bilateral investment treaties:

Uzbekistan has signed more than 50 bilateral investment treaties (BITs) including BITs with the Netherlands, United Kingdom, Singapore, China, Russia and other countries. Some of the BITs - for example, those with Bahrain and the United States - have not yet entered into force.

##### 3.1.3. General FDI incentives:

In general, Uzbekistan practices a non-discrimination policy towards foreign business, and provides additional incentives to foreign investors. Generally, the benefits are contingent on the value of the foreign direct investment, or are granted in relation to investments into priority industry sectors which the government is looking to develop.

Enterprises with foreign investments are entitled to:

- import without license goods for their own production needs;
- independently carry out export-import transactions in accordance with the legislation of Uzbekistan;
- export self-produced goods without licenses and quotas.

Where the foreign direct investment is US\$5 million or more, the company is entitled to apply the same tax rates for a period of 10 years.

From September 2019, Uzbekistan introduced an "investment visa" for founders of enterprises with foreign investors and members of their families who have invested in the economy of Uzbekistan at least 8,500 Base Estimated Values (UZS 1,895,500,000 or approx. US\$ 201,000) (at the time of investment). For this amount they can buy shares of business companies and create enterprises with foreign investment. The investment visa is to be issued for a period of three years with a possible extension.

Foreign citizens, including founders (participants) of enterprises with foreign investments, who have invested not less than US\$3 million in enterprises for the production of goods and delivery of services in Uzbekistan, are entitled to a simplified residence permit in the Republic of Uzbekistan for a period of 10 years.



### 3.1.4. Sectoral FDI benefits:

Foreign investments of at least US\$300,000 into the following targeted industries are exempt from a number of taxes:

- Computer technology products
- Textile, apparel and silk
- Construction materials
- Food
- Chemicals
- Petrochemicals
- Medical and pharmacy
- Engineering and metalworking
- Machinery and tools
- Glass and porcelain
- Packaging
- Renewable energy stations
- Coal industry
- Microbiology

- Toy production
- Tourism services
- Hospitality
- Waste management

The term of benefits depends on the value of the foreign direct investment:

- US\$300,000 to \$3 million: for a period of three years
- US\$3 to \$10 million: for a period of five years
- More than US\$10 million: for a period of seven years

### 3.1.5. Special Economic Zones:

Uzbekistan has 12 Free Economic Zones (FEZ) in the industrial sector (Navoi, Angren, Jizzakh, Urgut, Gijduvan, Kokand, Khazarasp, Sirdaryo, Namangan, Termez, Nukus, Chirakchi), 7 FEZs in the pharmaceutical industry (Zomin-farm, Kosonsoy-farm, Sirdaryo-farm, Boysun-farm, Bustonlik-farm, Parkent-farm, and Andijon-farm) and 2 FEZs in the agricultural sector (Bukhara-agro and fish producer). Besides, there is also a special economic zone "Sport" and a free tourist zone "Charvak". They provide substantial privileges in terms of taxation and facility services to their members, as well as a number of special foreign exchange and customs benefits. The term of benefits depends on the value of the private foreign direct investment:

- US\$300,000 to \$3 million: for a period of three years;
- US\$3 million to \$5 million: for a period of five years;
- US\$5 million to \$10 million: for a period of seven years;
- More than US\$10 million: for a period of 10 years.

Mandatory criteria for placement of investments projects in FEZ:

- Creation of import-substituting high-tech production in accordance with localization projects;
- Providing export-oriented production (reaching export volumes prescribed by law);
- Creation of new jobs including allocation of 10% quota for social employment;
- Ensuring that 95% of the staff is represented by local workers.

## 3.2. Recommendations

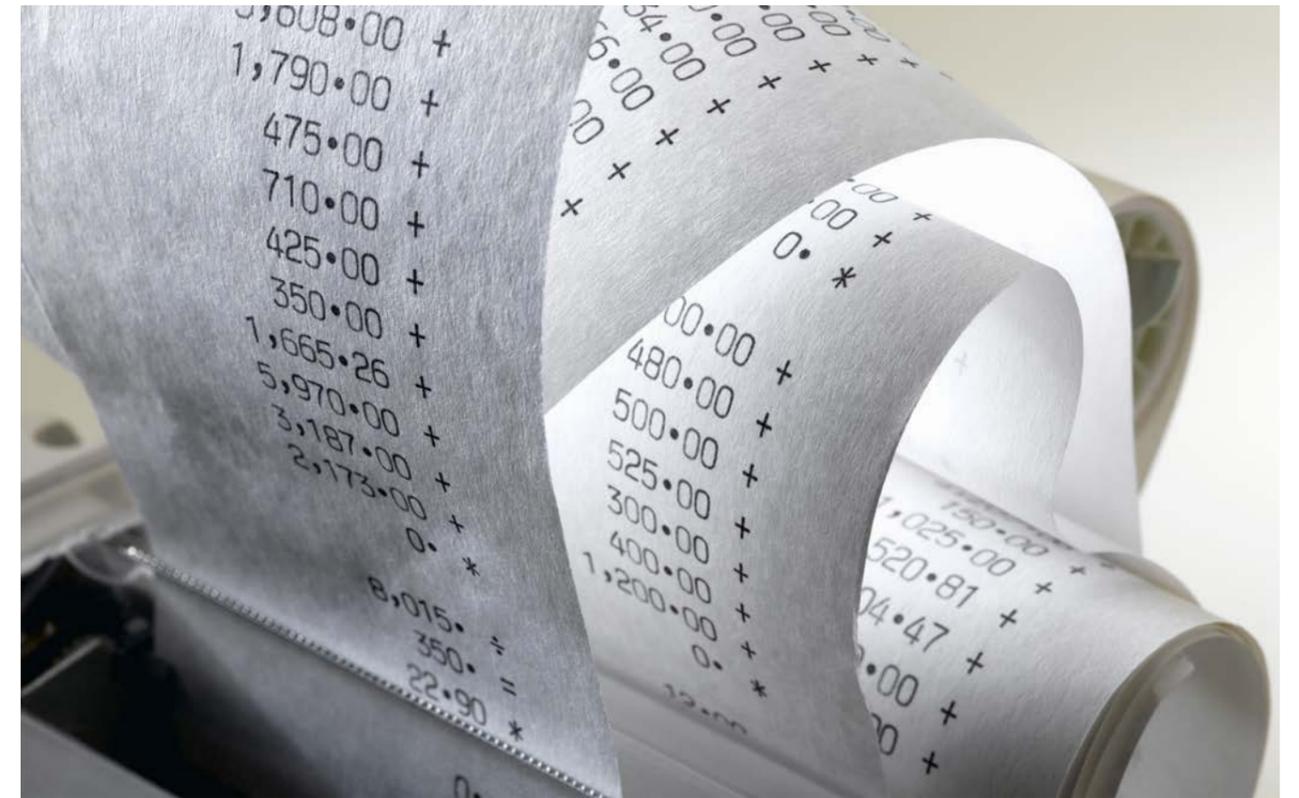
**3.2.1. Do your homework:** Before you start your operations, do some research in advance about all of the available benefits that you may use to help you increase the competitiveness of your business in Uzbekistan.

## 3.3. Things to watch out for

**3.3.1. Licenses and permits:** A number of business activities require licensing and permits, such as telecommunications services and design, construction and operation of chemical, petrochemical and energy plants. You should find out in advance if you need any license or permit, and how much time and expense it will cost to obtain it.

The Decree of the President of Uzbekistan No. UP-5409 dated 11.04.2018 abolished about 80 licenses and permits (by complete cancellation or by merging with other permits) such as the licenses for production of audiovisual works, for information and consulting services on the real estate market and for sales of petroleum products through filling stations and oil exchange points.

Furthermore, in accordance with the Decree, processing time for issuance of 25 licenses and permits has been reduced from June 1, 2018. The Decree also envisages measures for reduction of the number of documents submitted for obtaining licenses and permits in several sectors including evaluation activities, production of oil, gas and gas condensate and other sectors.



# Section 4

## Taxes

### 4. Taxes

#### 4.1. Rates and other important information

##### Tax Reform

On June 29, 2018, the President of Uzbekistan, Shavkat Mirziyoyev, approved the Concept for Tax Policy Improvement that provides for considerable changes in the country's tax system. The Concept provides for the development of the new Tax Code. Currently, the draft of the Tax Code is still under

development and is expected to be adopted in 2020.

##### Tax Rates

From October 1, 2019, the VAT rate has been reduced from 20 to 15 percent. At the same time, it is expected that the rate of corporate income tax will be increased from 12 to 15 percent. Currently, the rates for the main taxes are the following:

Name of tax	Rate
Personal income tax	12%
Single Social Payment	12%
Corporate income tax	Standard rate - 12% For commercial banks and mobile communication companies – 20% * It is expected that the standard rate of Corporate income tax shall be increased to 15% as of January 1, 2020.
Property tax	2%
Value added tax	15%

## 4.2. Compliance

Tax reporting can be monthly, quarterly and annually, depending on the type of tax applicable.

Financial reporting is done annually by small enterprises while other taxpayers do it monthly, quarterly and annually.

## 4.3. Main rules

### 4.3.1. Withholding Tax

Withholding tax applies to any foreign legal entity that receives income from Uzbek sources, where that income is not related to a permanent establishment in Uzbekistan.

From 2019, withholding tax rate on dividends for residents has been reduced from 10% to 5%. For non-residents tax rate on dividends is 10%.

### 4.3.2. Double Taxation

For the purposes of DTT application, the non-resident needs to present to the payer (source of income) a certificate of residency issued pursuant to the rules of relevant DTT. Based on the certificate, the payer applies the DTT taxation rules and rates.

## 4.4. Recommendations

**4.4.1. Consider available tax benefits from the outset:** Uzbekistan offers a number of tax benefits depending on industry, location and volume of investments. Careful consideration will allow you to optimize your taxation structures. For more information on tax benefits for foreign direct investments, please see section 3 above.

**4.4.2. Special tax benefits for major projects:** The government is ready to offer special individual incentive for major projects in strategic industries, in particular in processing and manufacturing of high value-added products. Individual benefits may be granted based on an investment agreement between the foreign investor and the government on the basis of a separate legal act of the President.

## 4.5. Things to watch out for

**4.5.1. Tax reform:** The Concept for Tax Policy Enhancement of Uzbekistan adopted by the Decree of the President of Uzbekistan No.UP-5468 dated June 29, 2018, provides for a number of tax reforms including elimination of inconsistencies in tax legislation and improvement of forms and mechanisms of tax control. The Draft revised version of the Tax Code was published for discussion in September 2019. The Draft envisages various changes such as a reduced number of taxes and mandatory payments, an increased responsibility of tax authorities for illegal additional taxation or financial sanctions and a more detailed list of rights and obligations of taxpayers and tax authorities.

**4.5.2. Competent tax and accounting advice:** Considering that the company is obliged to make tax, statistical and financial reports once it is registered, it is also worth having an accountant to oversee the company's books right from the outset (or outsource to an accounting firm). Failure to file due reports on a timely basis could lead to financial sanctions for the company.

**4.5.3. Bookkeeping:** Uzbek tax law has strict rules on bookkeeping documents that a company should maintain and keep for several years. These documents are usually of a standard form, and should be executed in the prescribed form and stored for future tax audits. In order to maintain bookkeeping, the company should have qualified personnel with relevant business experience. Failure to maintain such bookkeeping documents could lead to financial sanctions on the company.

**4.5.4. Permanent establishments:** It is expected that starting from 2020 permanent establishment of non-resident companies will also become subjects of VAT. This means invoices issued by foreign entities operating through permanent establishments may need to reflect VAT.



# Section 5 Employment

## 5. Employment

### 5.1. Payroll Taxes

From 2019, progressive payroll tax rates have been replaced with a flat rate of 12%.

### 5.2. Your basic obligations as an employer

If you are an employer in Uzbekistan, you must:

- Sign written contracts with employees and register them under Single National Labor System.
- Apply positions for employees stipulated by the Classifier of Positions and Professions
- Provide each employee with a job description upon his/her signature
- Approve internal regulations of the company
- Set up a personal file for each employee
- Keep employment work record for each employee
- Provide safe working conditions
- Insure employer's liability
- Apply for a permit to employ foreign persons
- Archive documentation

### 5.3. Main rules

**5.3.1. Labor Code:** The Labor Code is the main regulatory law for employment. The employment conditions stipulated in employment contracts which do not meet the minimum requirements of the law are void.

On August 20, 2018, the President of Uzbekistan adopted the Resolution No. PP-3913 that envisages reforms in the labor sector of Uzbekistan in order to protect labor rights, prevent and eradicate forced labor in the country. In particular, the Resolution provides for enhancement of national labor legislation in line with conventions and recommendations of the International Labor Organization.

As a result, the draft new edition of the Labor Code has been developed and its latest version has been published for discussion in October 2019. The Draft introduces a number

of amendments including new provisions on personal data protection of employees, social partnership in the labor sector and professional training of employees.

**5.3.2. Employment contracts:** The law allows companies to conclude employment contracts for either a short or long term. The short-term employment contract is concluded when the parties are not able to conclude the long-term employment agreement based on the character of work, its conditions or the employee's interests. A short-term employment agreement can be also concluded with the head of the company (body, organization), deputy head, chief accountant, and in other cases provided by law.

**5.3.3. Vacation:** Vacation is paid and cannot be less than 15 working days. Extra vacation can be granted by the employer in the employment agreement or other local document.

**5.3.4. Sick leave:** There is no limit for employee sick leave. The allowance for employee temporary disability (sick leave) is paid by the employer from its own funds. In case of prolonged illness, the employee is subject to a special medical expert commission which draws a conclusion regarding the employee's ability to continue work.

**5.3.5. Trade unions:** Trade unions are based on the exclusive initiative of employees. Trade unions are more common for state-owned companies and not very common in private companies.

**5.3.6. Maternity and childcare leave:** Women employees who have a baby are entitled to paid maternity leave for a period of 126 days. Maternity allowance is paid by the employer for the period of maternity leave (70+56=126 days) based on the employee's wage. Childcare leave is then paid by the employer at the rate of 2 monthly minimum wage (MMW) for a period of two years. The employee may work part time. In this case, she is paid her part time wage plus the childcare allowance.

**5.3.7. Pensions:** Pensions are provided by the state. The retirement age is 55 for women (provided that the employment record is equal to 20 years) and 60 years for men (provided that the employment record is equal to 25 years).

### 5.3.8. Tax residence of foreign employees:

After 183 calendar days, a foreign person working in Uzbekistan becomes a tax resident in Uzbekistan.

**5.3.9 Severance pay:** Severance pay is paid if the employment contract is terminated upon the employer's initiative, excluding situations where the employee is dismissed for misconduct, for refusing to work under new conditions, or under circumstances not dependent on the parties' will.

**5.3.10. Employment disputes:** Employment disputes are settled in civil courts. According to the Labor Code of Uzbekistan, employees are exempted from court fees when they apply to courts with claims arising from labor relations. Employment disputes can be resolved by the means of mediation as well.

**5.3.11. Working hours:** A standard working week is 40 hours (normal hours). Any time worked over 40 hours is classified as overtime and must be paid at a rate of double the normal hourly rate.

**5.3.12. Personal data:** Employees' written consent is required for any type of personal data processing.

**5.3.13. Single National Labor System:** An interdepartmental hardware and software system - the Single National Labor System - is to be introduced from January 1, 2020. The System is designed to serve as a platform for a number of activities including:

- electronic registration of labor relations between employers and employees, including the procedures for concluding, amending and terminating employment contracts;
- creation of an electronic database on the structure (staffing table) of employers, including information on available and

created workplaces, working conditions and remuneration;

- generation and maintenance of data on the employment of individuals in the electronic workbook.

### 5.4. Recommendations

**5.4.1. Fixed term contracts:** Employees can be hired for an indefinite or fixed term, and on a full-time or part-time basis. A fixed-term employment agreement may be concluded only in special circumstances.

**5.4.2. Stipulate permanent establishment (PE) as employer:** The labor law does not specify a permanent establishment as an employer, but it acts as an employer from the perspective of tax law. Moreover, starting from March 2019 companies operating through PEs need to apply to the Migration Agency under the Ministry of Employment and Labor Relations for licenses and work permits to employ foreign employees.

### 5.5. Things to watch out for

**5.5.1.** Starting from January 1, 2020, the employer is obliged to register new employment agreements, amendments to the existing employment relations and employment termination through the Single National Labor System. The employment agreements concluded before January 1, 2020, are subject to registration by employer not later than September 1, 2020.

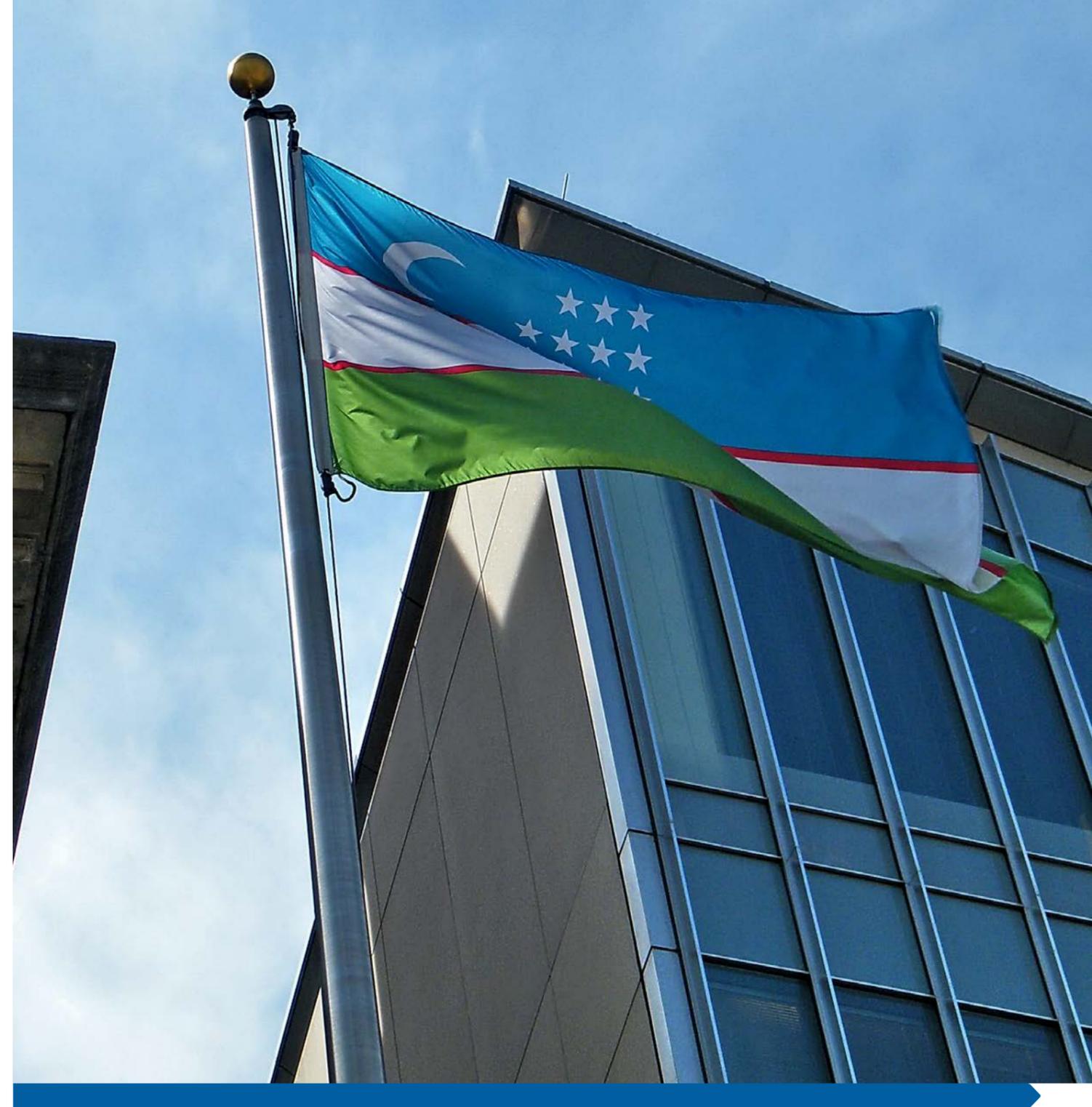
**5.5.2. Electronic workbook:** In accordance with the Resolution of the President of Uzbekistan dated October 31, 2019, the electronic workbook is to be introduced from January 1, 2020. Generation and maintenance of data on the employment of individuals in the electronic workbook is to be carried out through the Single National Labor System.

**5.5.3. Termination for misconduct:** The employer should specify in its internal HR policies the types of misconduct for which the employer can terminate employment. If the employer fails to specify them, there is no legal ground to terminate employment.

**5.5.4. Termination at retirement:** Starting from May 1, 2019, the employer cannot initiate employment termination with a female employee notwithstanding her retirement age and relevant employment record. The employment termination with female employees is possible at the age of 60 and 20 years of employment record. The general rule for employment termination with male employees stays the same: age - 60, employment record - 25 years.

**5.5.5.** New indices to employees' wages and additional days for annual leaves are approved for work in adverse environmental and climate conditions.

**5.5.6. Employment and service contracts:** Service contracts with individuals generally are not considered as employment contracts. However, in terms of taxation they are similar to employment contracts. Moreover, if a foreign person is considered as a qualified or highly qualified person with payment equal to US\$30,000/US\$60,000 per annum, he/she needs to have a work permit from the Migration Agency under the Ministry of Employment and Labor Relations.



# Section 6

## Immigration

## 6. Immigration

### 6.1. Main rules

**6.1.1. Entry visa:** A bilateral visa-free regime has been established with Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Moldova, Russia, Ukraine, Kyrgyzstan (up to 60 days) and Tajikistan (up to 30 days).

A visa-free regime for 30 days period is introduced for citizens of more than 70 countries including Japan, the UAE, Germany, France, Singapore and Turkey. A visa-free regime for 7 days is established for citizens of China (including Hong Kong). A simplified procedure for issuing tourist visas through "e-visa.gov.uz" is available for 75 countries including the US, India, Jordan and China.

The nationals of all other countries may apply for business visas based on a letter of invitation from an Uzbek business partner and the invitation should be confirmed by the Ministry of Foreign Affairs of Uzbekistan.

Moreover, foreign citizens and stateless persons that contributed investments in Uzbekistan (by way of acquiring shares of business entities as well as creating a foreign enterprise) in the amount of not less than 8,500 times the minimum monthly wage (apprx. US\$205,500) are entitled to a three-year multiple-entry visa.

**6.1.2. Residence registration:** Foreign citizens and stateless persons arriving to Uzbekistan are subject to temporary registration. At the same time, foreigners travelling within Uzbekistan are exempt from registration if their stay in each city, town, village does not exceed three days. In this case, they will need documents confirming their stay (such as a receipt for goods or services).

**6.1.3.** If a foreigner stays in a hotel, registration should be carried out by the hotel itself. In case of apartment rental, the owner of the premises is obliged to register the foreigner at a police department. Temporary registration for up to

30 days can be done in person or remotely through the online system emehmon.uz.

**6.1.4. Work permit and visa:** Before hiring foreign nationals, employers must obtain a permit to hire foreigners (corporate work permit). Foreigners intending to work in Uzbekistan must obtain a confirmation of their right to work (confirmation).

Applications for corporate work permit and confirmations may be filed online<sup>2</sup> or through State services centers. Starting from March 2019 the Migration Agency under the Ministry of Employment and Labor Relations admits employment, business, service and fellow-national types of visas to issue a confirmation for foreign employee for the first time.

At the same time, employers do not need to obtain a permit for hiring highly qualified and qualified specialists.

Uzbekistan's legislation defines highly qualified specialists as foreign citizens who:

- graduated from higher educational institutions, occupying the first 1,000 positions among higher educational institutions in the ranking of internationally recognized organizations, the list of which is approved by a joint decree of the Ministry of Higher and Secondary Special Education and the State Inspectorate for Supervision of Education under the Cabinet of Ministers of the Republic of Uzbekistan;
- have at least five years of work experience in the stated specialty or specialty in the diploma;
- meet the conditions to attract labor activity in the Republic of Uzbekistan, which imply the receipt of wages (remuneration) for no less than an amount equivalent to US\$ 60,000 per year.

It defines qualified specialists as foreign citizens who:



- have a higher education;
- have work experience of at least five years in the stated specialty or specialty in the diploma;
- meet the conditions to attract labor activity in the Republic of Uzbekistan, which imply the receipt of wages (remuneration) for no less than an amount equivalent to US\$ 30,000 per year.

### 6.2. Recommendations

**6.2.1. Make sure to obtain work permits in advance:** Allow at least 20 days for processing/ extending the work permit and two more weeks for visa processing/extension.

### 6.3. Things to watch out for

**6.3.1. The term of employment contract with foreign person:** The employment contract is concluded with a foreign person for a fixed period based on the term of the employee's confirmation and visa.

**6.3.2. Sanctions:** In case of violation of immigration rules, an administrative fine is put on both employer and foreign employee. In extreme cases, foreign employees may be deported from the country at the employer's expense.

<sup>2</sup> my.gov.uz



# Section 7

## Environmental protection

### 7. Environmental Protection

Permits you might need	
Ecological examination (EIA consent)	Obligatory procedure to establish the compliance of planned or ongoing economic and other activities with environmental requirements and determination of the feasibility of the implementation of the facility for environmental impact assessment. Issued by the State Committee on the Ecology and Environmental Protection.
Occupancy permit	Required if you intend to take possession of new premises. Issued by Khokimiyats (local government bodies) of regions and Tashkent city.
Water permit	Required if you intend to construct or modify a water device and for specific use of water. Issued by the Ministry of Healthcare.
Waste generation norms	Required by organizations and individual entrepreneurs engaged in the production of products or services which will result in emissions, discharges of pollutants into the environment and waste. Approved by the State Committee on Ecology and Environmental Protection.
Waste processing permit	
Air emissions permit	
Mining license	Obtained for the right to use subsurface resources for the construction and operation of underground structures, for storage and disposal of waste. Issued by the State Committee on the Ecology and Environmental Protection, State Commission on Mineral Reserves.

#### 7.1. State Environmental Monitoring

From January 1, 2021, automatic stations for sampling and analyzing samples at sources of atmospheric air pollution of newly incorporated economic entities with high risk of environmental impact, as well as fixed observation points (posts) in the adjacent territory shall be established.

#### 7.2. Main rules

**7.2.1. Ecological examination:** The private expert firms examine the documentation and obtain the official decision from authorized Centers of the State Committee on Ecology and Environmental Protection.

**7.2.2. Order of development and approval of environmental standards:** Inventory of sources of emissions, discharges, generation and disposal of waste, and standardization of emissions, discharges, generation and disposal of waste on the basis of inventory results.

**7.2.3. Emissions in atmospheric air:** Following the amendments in 2019, the Government is responsible for determining the standards for maximum permissible emissions of pollutants and biological organisms into the atmospheric air. Previously, these standards were determined by the State Committee on Ecology and Environmental Protection.

Activities related to violations of the standards for maximum permissible emissions of pollutants into the air can be limited and suspended by the Ministry of Internal Affairs.

#### 7.3. Recommendations

**7.3.1. Independent environmental audit:** Companies may engage service providers to run environmental audits of their facilities. This will help them to proactively comply with environmental laws and regulations.

#### 7.4. Things to watch out for

**7.4.1. Sanctions:** Companies engaged in the unsustainable management of natural resources, or which produce above-limit pollutants, emissions or waste, could be liable for higher tax rates and costs. Such companies could also be obliged to pay compensation for disposing of waste in specially designated areas. The amount of compensation depends on the quantity of waste to be disposed, as well as how dangerous the waste is to the life and health of citizens and to the environment.

**7.4.2. Delays.** Projects requiring environmental impact clearance cannot be continued and failure to obtain such clearance on a timely basis could result in unnecessary delays. Furthermore, failure to obtain such clearance could entail administrative or criminal liability.



# Section 8

## Construction and real estate

### 8. Construction and Real Estate

#### 8.1. Main rules

**8.1.1. Title to land:** the Parliament of Uzbekistan enacted the Law No. ZRU-522 “On privatization of non-agricultural land plots”. The introduction of private land ownership is an important milestone in the liberalization of economy and the promotion of sustainable urbanization in Uzbekistan. The World Bank’s Europe and Central Asia Economic Update states that privatization of non-agricultural land in Uzbekistan, together with other market reforms, is critical to economic transformation and to sustaining growth and job creation in the country<sup>3</sup>.

Land plots privatization can be carried out in two main forms:

- buyout by legal entities and individuals of land plots that are under permanent use (possession) or inherited for lifetime possession;
- purchase through an electronic auction.

The law entails that only citizens of Uzbekistan and legal entities - residents of Uzbekistan are entitled to privatize land plots under the Law. The Law comes into force on March 1, 2020.

**8.1.2. Land allotment:** Land use rights can be obtained together with the title to an existing building. Where there is no existing structure, the land is allotted by the decision of the regional mayor or the government.

**8.1.3. Design approval:** The architectural design of a construction project must be developed by a design institute holding a valid design license. Design documents developed abroad shall be adopted to comply with the standards of Uzbekistan. Design is subject to a state examination procedure.

**8.1.4. Commencement notification:** From March 1, 2019, construction permits were replaced by the requirement to formally notify the territorial inspection of Ministry of Construction on the commencement of

construction works. As soon as the notification is given, the inspection can make regular site visits to verify that the construction works and the site itself comply with all legal, technical and safety requirements.

**8.1.5. Licensing:** Generally, construction works are not subject to licensing, except where the object of construction involves a high level of risk or other type of hazard. EPC projects may be implemented using the fast-track method (i.e. simultaneous engineering, procurement and construction) if a design company and an EPC contractor build a consortium and undertake to bear joint liability for the quality of the project.

**8.1.6. Delivery methods:** The choice of delivery method and form of contract largely depend on whether or not the construction works are financed from centralized sources, such as budgetary appropriations, state trust funds and/or loans of international financial institutions. If such sources provide the funding, any construction, expansion, reconstruction and technical refit must be delivered on a turnkey basis. Therefore, EPC and EPCM contracts are the most commonly used method as they offer maximum risk transfer from owner to contractor. Due to frequent involvement of international financial institutions, standard forms based on FIDIC contracts have become increasingly widespread in Uzbekistan in the last decade.

**8.1.7. Public procurement:** Uzbek legislation distinguishes the following public procurement methods: e-procurement, reversed auction, competitive bidding, tender, and a direct contract with a single supplier. At the same time, some areas are not subject to the general public procurement law. Such areas include public procurement to ensure the safety of persons subject to state protection, defense capability, security and maintenance of internal order in the Republic of Uzbekistan, as well as related to state secrets. The choice of the method depends on the amount and nature of procurement as follows:

<sup>3</sup> World Bank. 2019. Europe and Central Asia Economic Update, Spring 2019: Financial Inclusion. Washington, DC: World Bank.

Type of procurement procedures	Price criteria in Minimum Monthly Wages (MMW)	Other criteria
<b>E-procurement</b>	<p><b>Corporate customers:</b></p> <ul style="list-style-type: none"> <li>Goods of up to 250 MMW (approx. US\$6 000) per contract but not more than 2 500 MMW; (approx. US\$60,000) a year per one customer;</li> <li>Works, services of up to 25 MMW (approx. US\$600) per one customer.</li> </ul> <p><b>Budgetary customers:</b></p> <ul style="list-style-type: none"> <li>Goods of up to 25 MMW (approx. US\$600) per contract but not more than 2 500 MMW (approx. US\$60,000) a year per one customer;</li> <li>Works, services of up to 25 MMW (approx. US\$600) per one customer.</li> </ul>	<ul style="list-style-type: none"> <li>No special requirements should be imposed on goods (works, services)</li> </ul>
<b>Reserved auction (in electronic form)</b>	<p><b>Corporate customers:</b></p> <ul style="list-style-type: none"> <li>Goods of not less than 5,000 MMW (approx. US\$120,400) per contract.</li> </ul> <p><b>Budgetary customers:</b></p> <ul style="list-style-type: none"> <li>Goods of up to 2,500 MMW (approx US\$60,000) per contract.</li> </ul>	<ul style="list-style-type: none"> <li>Goods are of standard features;</li> <li>No need to evaluate and compare technical, operational and other characteristics of goods;</li> <li>Object of public procurement is not represented by works, services</li> </ul>
<b>Competitive bidding</b>	<p><b>Corporate customers:</b></p> <ul style="list-style-type: none"> <li>Goods of 5,000-25,000 MMW (approx US\$120,400-approx US\$600,000) per contract;</li> <li>Works, services of 25-25,000 MMW (approx US\$600-600,000) per contract.</li> </ul> <p><b>Budgetary customers:</b></p> <ul style="list-style-type: none"> <li>Goods of 2,500-6,000 MMW (appxUS\$60,000-144,500) per contract;</li> <li>Works, services of 25-6,000 MMW (appx US\$60,000-144,500) per contract.</li> </ul>	<ul style="list-style-type: none"> <li>Possibility of formulating a detailed description of goods (works, services);</li> <li>Criteria for defining the winner have not only monetary evaluation but also quantity and qualitative assessment of goods (works, services)</li> </ul>
<b>Tender</b>	<p><b>Corporate customers:</b></p> <ul style="list-style-type: none"> <li>Goods (works, services) of more than 25,000 MMW (appx US\$600,000)</li> </ul> <p><b>Budgetary customers:</b></p> <ul style="list-style-type: none"> <li>Goods (works, services) of more than 6,000 MMW (appx. US\$144,500)</li> </ul>	<ul style="list-style-type: none"> <li>Criteria for defining the winner have not only monetary evaluation but also quantity and qualitative assessment of goods (works, services)</li> </ul>
<b>Procurement from a single supplier</b>		<ul style="list-style-type: none"> <li>Goods (works, services) that are technically complex, have no alternatives in the market and can be procured only from a single supplier;</li> <li>Procurement of items of cultural value;</li> <li>Procurement on the basis of decisions of the President or the Cabinet of Ministers of Uzbekistan;</li> <li>Procurement by natural monopolies;</li> <li>Procurement in accordance with tariffs set by the Government of Uzbekistan.</li> </ul> <p>Conclusion of a direct contract is allowed only after adoption of the relevant legal act of the president or the government and inclusion of the supplier into the Registry of Single Suppliers.</p>

General public procurement rules of Uzbekistan do not apply to public procurement carried out by strategic buyers (major state companies such as JSC “Uzburneftegaz”, “Uznefteprodukt”, “Uztransgaz”, “Uzkimyosanoat”, “Dori-Darmon” and etc.) in accordance with the list of enterprises of strategic importance approved by the president of the Republic of Uzbekistan, except for public procurement of goods, works, services under the state development programs, projects envisaged by resolutions of the president of the Republic of Uzbekistan and decisions of the government of Uzbekistan.

**8.1.8. Purchasing real estate.** Foreign companies have the right to purchase real estate in Uzbekistan. A special electronic trading platform, E-IJRO AUKSION, has been set up in Uzbekistan for purchase of public property.

## 8.2. Recommendations and things to watch out for

**8.2.1. Due diligence is vital:** Before buying real estate that you intend to develop, you should check its title, environmental and zoning status. All such checks must be planned for well in advance of the estimated closing of the real estate transactions.

**8.2.2. Compulsory notarization.** From March 2019, the requirement to notarize all real estate sale contracts has been abolished. However, the requirement for compulsory notarization remained with respect to residential real estate sale contracts.



# Section 9

## Resolving disputes

### 9. Resolving Disputes

#### 9.1. Main rules

**9.1.1. Litigation and arbitration:** If it is not possible to settle dispute amicably, commercial disputes in Uzbekistan are submitted to litigation before national economic courts or arbitration before a panel of arbitrators. As a general rule, economic courts have jurisdiction over disputes arising throughout business activities, unless parties agreed to alternative means of dispute resolution. Note should be taken that some types of disputes fall under the exclusive jurisdiction of economic courts and cannot be submitted to arbitration. Parties can reach a settlement agreement at any time before the court renders its decision.

**9.1.2. Judges and parties:** In court proceedings, both the claimant and the respondent have equal procedural rights, which mean the judge(s) must adjudicate their interests during the hearing. The common rule is that the burden of proof rests on the claimant, which relies on the fact and circumstances it argues. Though there is no place for the precedent system in Uzbekistan, the courts of the first instance tend to follow or at least take into account the rational and decisions of the higher courts.

**9.1.3. How long does it take?** In general, court proceedings in Uzbekistan take from three months to one year, including proceedings in the court of the first instance, appellate and cassation courts. More complicated cases requiring technical expertise to determine the factual background may take up to two or even three years.

Expedited Procedure. In 2019, Uzbekistan introduced an expedited procedure for low-cost commercial disputes for claims:

- Against Legal entity - if the amount of claim does not exceed 20 monthly minimal wages (MMW) (apprx. US\$ 470)
- Against Sole Entrepreneurs - if the amount of claim does not exceed 5 MMW. (apprx. US\$ 120)

Hearings under expedited procedure cannot be longer than 20 days (no extension is possible) from the date of accepting the statement of the claim and filing the case.

**9.1.4. Proceeding costs:** Litigation costs consist of the state duty and expenses coming out of the trial (such as money paid to witnesses, experts, interpreters, post expenses, etc.). State duty for pecuniary disputes is 2% from the amount of the claim, but not less than 50% of the minimum wage. In disputes with no monetary value, state duty is fixed and equals to 10 minimum wages. Specific cases, such as bankruptcy, have a separate calculation method. Claims to the higher recourse instances amount to 50% of state duty paid for instance courts.

**9.1.5. Arbitration:** Domestic arbitration is governed by the domestic arbitration law, whereas international commercial arbitration remains largely unregulated.

In November 2018, the President of Uzbekistan, Shavkat Mirziyoyev, signed a resolution "On the establishment of Tashkent International Arbitration Center (TIAC) under the Chamber of Commerce and Industry of the Republic of Uzbekistan". The Center is intended to resolve cross-border disputes between entities from different jurisdictions, including foreign investors. TIAC is entitled to settle disputes by means of mediation or other alternative dispute resolution mechanisms.

The same resolution assigned the Chamber of Commerce to develop draft International Arbitration Law, which was passed to the Parliament. After being scrutinized by the lawmakers the draft has been reverted for revision.

Uzbekistan is party to both the ICSID and New York Conventions. However, Uzbekistan did not fully align its procedural legislation with New York, which creates complexities at the enforcement stage in national courts. Uzbekistan also signed Bilateral Investment Treaties with fifty-four states which contain relevant arbitration provisions.

## 9.2. Recommendations

**9.2.1. Use interim measures:** In any type of economic dispute, a party may apply for interim measures. Interim measures can be requested both prior to commencement of the hearings and in course thereof. Interim measures are usually granted if the requesting party can provide sufficient evidence that that failure to order such interim measure will complicate or make it impossible to enforce the court decision. Procedural legislation provides for a non-exhaustive list of interim measures that includes:

- freezing order;
- restriction to perform certain actions in relation to the subject of the dispute;
- order to take certain actions to preserve the property in dispute;
- transfer of property in dispute to a third party for safe storage, etc.

The court may order several interim measures simultaneously.

**9.2.2. Pay close attention to files/documentation:** Proving the claim or the defense with to-the-point facts is crucial in obtaining a successful outcome. Make sure you gathered all available evidence and facts that you plan to rely on throughout the trial. The judge may decline any type of evidence in the final stages of the trial.

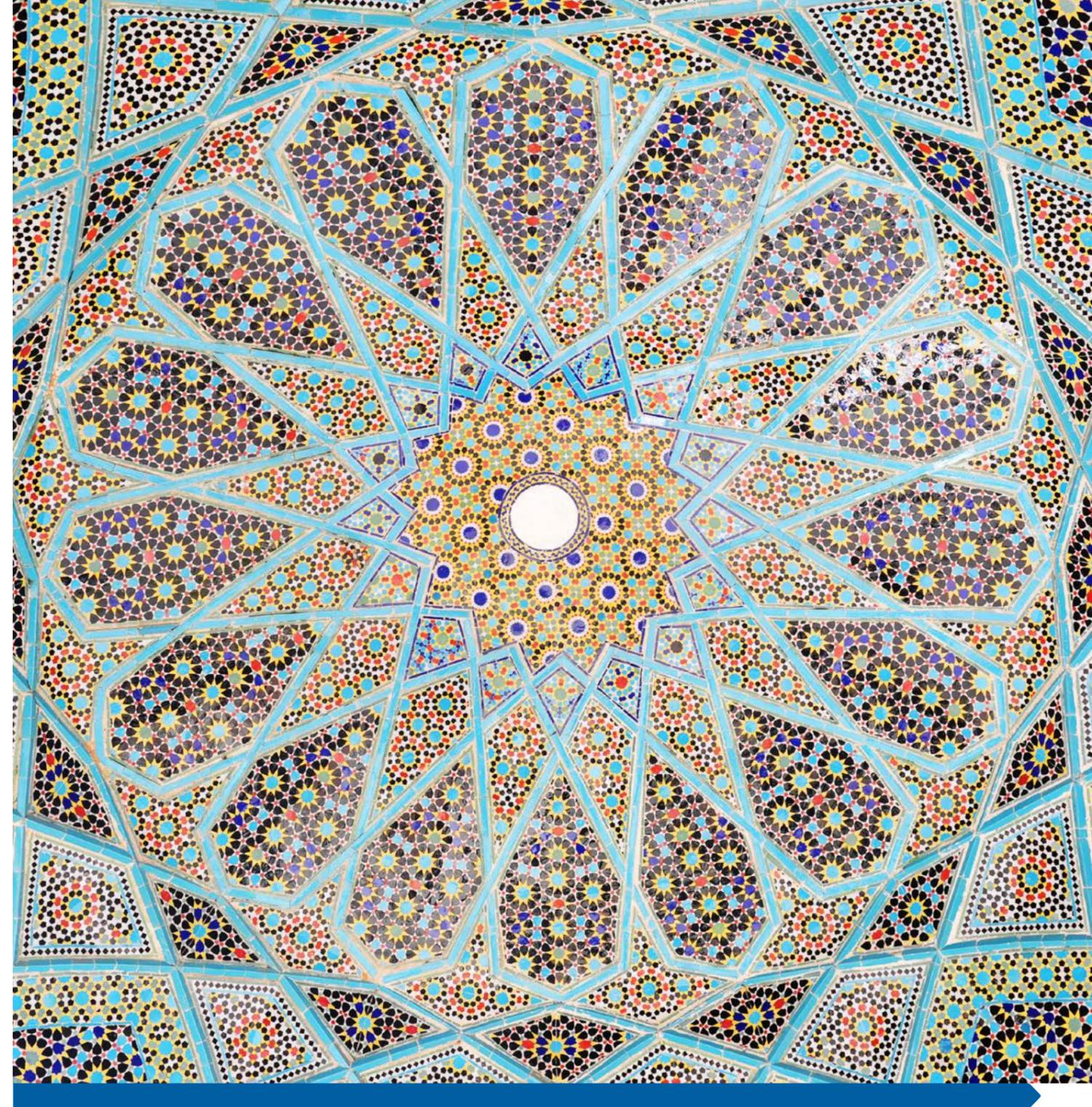
**9.2.3. Do not give up:** Even if you are not successful during the first trial, you may succeed on appeal.

**9.2.4. Be proactive in enforcement:** Enforcement officers tend to have a huge workload, so constant follow up on your matter is key to successful enforcement.

## 9.3. Things to watch out for

**9.3.1. Be cautious about the statutory limitation period:** Bad time management could mean the end of your case. Choosing the right moment can be crucial when analyzing your case strategy.

**9.3.2. Provide your lawyer with all the facts:** Even small details may be material to the outcome of the case. Always provide your lawyers with full details to avoid unexpected details coming up in the courtroom. All of the information you share with your lawyers is protected by the privilege.



# Section 10

## Intellectual property

## 10. Intellectual property

### 10.1. Main rules

**10.1.1. Intellectual Property Rights:** Uzbekistan is a party to all main international agreements relating to intellectual property (IP) and recognizes the following IP rights:

- Copyrights in original works
- Neighboring rights
- Patents
- Utility designs
- Industrial designs
- Trademarks
- Geographical designations, protected geographical indications and marks of origin
- Topographies of integrated circuits
- Trade secrets and know-how
- Domain names

**10.1.2. Copyright protection:** Uzbek copyright law gives protection to works whose authors (or co-authors) are Uzbek nationals, or whose authors are nationals of any country belonging to signatory countries of the Berne Convention. Original works are subject to copyright protection without any additional conditions. There are no limitations as to the types of works that may be subject to copyright protection.

**10.1.3. Author (moral) copyrights:** Uzbek copyright law accords strong protection of rights to authors in relation to economic copyrights (i.e. right to remuneration) and author rights. Author rights are very broad, inalienable, unlimited in time and cannot be waived.

**10.1.4. Durations of IP rights:** The terms of protection of IP rights are:

- 50 years from the death of the author in relation to economic copyrights
- 20 years for patents
- 10 years for trademarks (extendable)

- 5 years for industrial designs (extendable)
- 10 years for utility designs

#### 10.1.5. Remedies for infringement of IP rights:

Copyright and industrial property laws provide for both civil and criminal measures for the protection of IP rights. IP right holders can initiate an unfair competition action or IP rights infringement litigation to (1) stop the breach, (2) release illegally obtained profits (the right holder may receive profits illegally obtained by those in breach of IP rights) and (3) recover damages.

### 10.2. Recommendations and things to watch out for

#### 10.2.1. Formal registration requirements:

Certain IP licensing and assignment agreements are subject to state registration in Uzbekistan. Failure to register may invalidate your agreements.

#### 10.2.2. IP objects created by employees:

Employment contracts do not generally give the employer full right to intellectual property created by your employees. Make sure your employment contract is carefully drafted and takes into consideration the statutory limitations.

### 10.3. International Agreements

Uzbekistan has joined many International Agreements in the IP field including the following recently ratified instruments:

- Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms (April, 2019);
- WIPO Performances and Phonograms Treaty (July, 2019);
- WIPO Copyright Treaty (July, 2019).

### 10.4. Recent changes

1) From September 1, 2019, applications for trademark registration are electronically filed through Public Service Centers or the United Portal of Interactive Public Services of Uzbekistan.

2) From July 1, 2019, through IP database (<http://baza.ima.uz/>) it is possible to:

- a) track in real time the intellectual property objects that are under consideration, effective or have lost legal protection;
- b) automatically include and exclude from the Customs Register of Intellectual Property, respectively, upon granting and termination of legal protection of intellectual property objects.

In addition, the non-use period has been decreased from five to three years as a ground for early termination through the court of the trademark certificate (wholly/partly).



# Section 11

## Dentons in Uzbekistan

Large-scale fundamental reforms initiated by the Uzbek government provide unique opportunities for foreign investors to establish their operations in Uzbekistan. In order to be successful in this resource-rich emerging market, you need a partner with deep knowledge of the country's legal, political and economic issues.

Dentons understands this market. A pioneer in the CIS and Central Asia region, we have been working in Uzbekistan since 1995. Dentons negotiated one of the first mining contracts in the country. In 2000, Dentons opened a permanent office in Tashkent.

In June 2017, we expanded our office in Tashkent through a combination with highly ranked Uzbek firm Avent Advokat, adding a team of ten lawyers who are fluent in Uzbek, Russian and English. Today Dentons is one of the leading international full service legal practices in the country with fully qualified legal and professional staff numbering more than 20.

Dentons' clients in Uzbekistan benefit from our thorough knowledge of the laws and business practices of the country gained through many years of experience in the country. We support clients from a broad range of industries, including oil and gas, mining, transportation and infrastructure, banking, automotive, telecom, and FMCG. We regularly advise on a wide variety of transactions and matters, covering corporate/M&A, energy and natural resources, infrastructure and PPP, banking and finance, dispute resolution, construction and real estate, employment, health, safety and environmental aspects, licensing and permits and other regulatory compliance issues, etc.

The legal sector has high regard for the experience and professionalism of our Tashkent office which is consistently highly ranked among law firms in Uzbekistan by the *Chambers Global* and *Asia-Pacific*, the *Legal 500* and *IFLR1000*.

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