

大成 DENTONS

Doing business in Uzbekistan



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Introduction

Strategic
investment support

Strategic investment support

Uzbekistan, a country with a famous history, is today attracting global attention for its reforms. The country is now primed for growth, with a rapid shift towards a free market economy, after being artificially held back during its recent history.

Geographically situated in the heart of Central Asia, the country plays an important role as a bridge between Europe and the emerging economies of East, South and Southeast Asia. The country is the gateway not just to 34.5 million domestic consumers but to a region of 87 million. It is also Central Asia's most populous country, with half of its population below the age of 25, and boasts a high general educational level.

Uzbekistan has held a BB- sovereign credit rating since 2018, and its robust external and fiscal buffers, diversified commodity export base and access to external official financing makes it more resilient to the economic impact of the global health crisis.

Being one of the fastest growing economies in the world according to the World Bank, Uzbekistan is becoming part of the global economic shift towards Asia. A number of significant multinational companies – including Nestlé, Samsung, Lukoil, General Motors, and Coca-Cola – have established a long-term presence in the country and have benefited from the skilled and relatively inexpensive workforce.

Uzbekistan has also introduced a wide range of reforms to encourage foreign investments, including liberalization of the foreign exchange system, reduction and optimization of taxes and mandatory contributions, and other structural reforms. The country now offers more than 20 free economic zones, inviting investors into the pharmaceutical, agricultural, tourist and other industrial sectors.

With Dentons as your legal counsel, you will benefit from a full-service firm with well-established roots in the Uzbek market for more than two decades. Our Tashkent office offers the services of top-tier, experienced lawyers, who are able to assist with a range of legal issues, provide cost-effective advice on various domestic matters, devise sophisticated solutions for cross-border transactions or disputes, and support you with respect to any opportunity involving foreign investment and/or joint ventures.

We trust that you will find this brief introduction to doing business in Uzbekistan useful and will be happy to guide you further if you reach out to us through the contact details listed at the end of this guide.

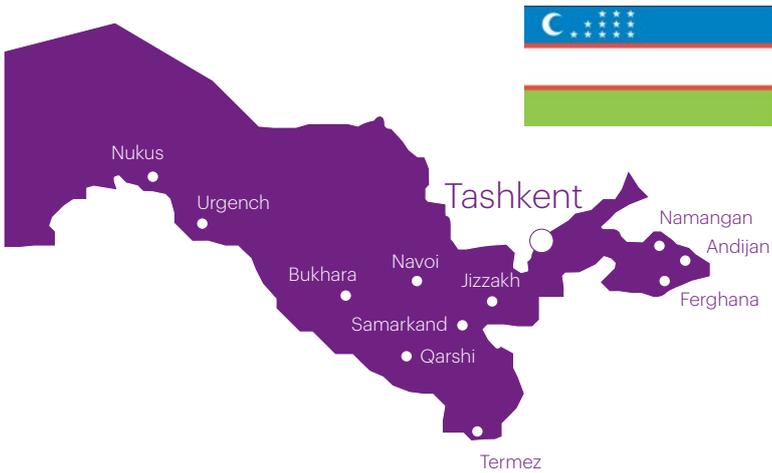


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Section 1

Uzbekistan at a glance



Some statistics about Uzbekistan

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

Capital	Tashkent
Population	34.38 million
Area	447,400 sq. km.
Government type	Presidential republic
Legal system	Civil law system
Currency	Uzbekistani Som (UZS)
GDP (2019) ¹	US\$ 57.9 billion
GDP per capita (PPP) (2019)	US\$ 6,998.7
FDI Inward Flow	US\$ 2.286 billion (2019)
Inflation rate	15.2% (2019); 11.5% (October 2020)
Benchmark interest rate	14%
Exports	US\$ 13.468 billion (2018); US\$ 6.2 billion (January – June 2020) – 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	USD 17.969 billion (2019); USD 9.57 billion (January – June 2020) – vehicles and equipment, chemical products, ferrous and non-ferrous metals, food products
Import partners	Russia, Kazakhstan, Turkey, Afghanistan, Kyrgyzstan

World Bank “Doing Business” rank (2020)
Uzbekistan is placed among the world’s
Top 20 reformer countries

69 out of **190**

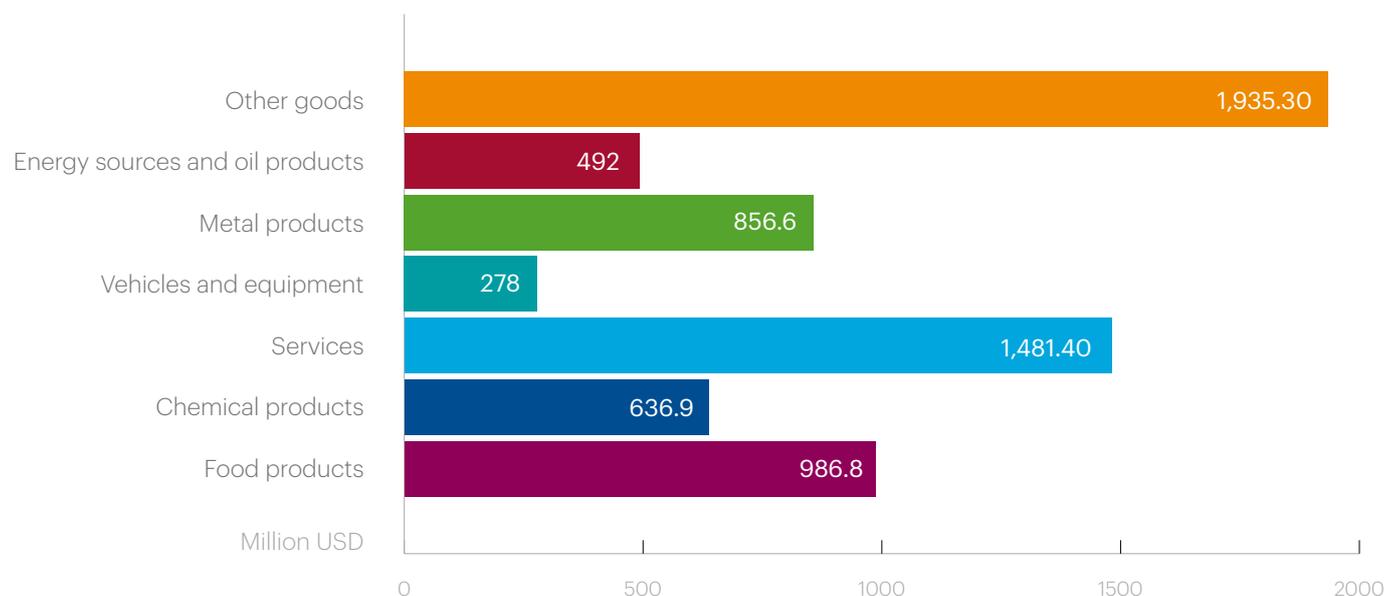
Transparency International
“Corruption Perception Index” (2020)

146 out of **180**

¹ Source: The State Committee of the Republic of Uzbekistan on Statistics and UNCTAD.

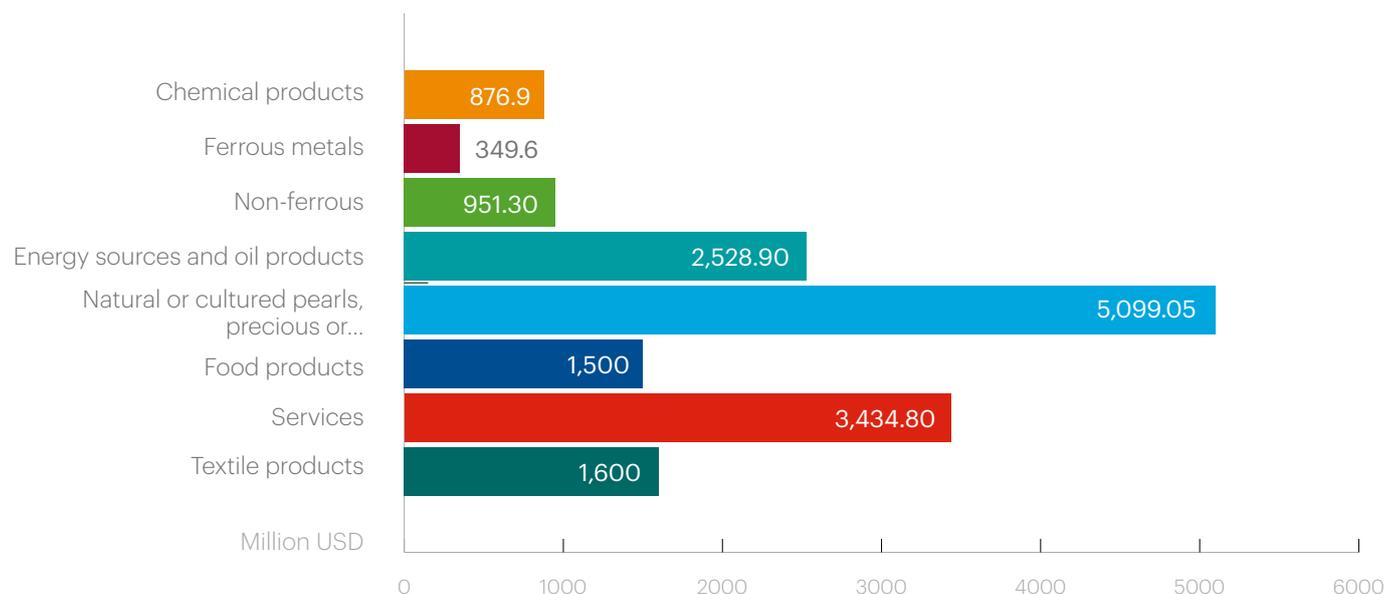
Structure of exports of Uzbekistan (January–September 2020)

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



Structure of exports of Uzbekistan (2019)

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



Top 5 foreign trade partners of Uzbekistan

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

Countries	Foreign Trade Turnover 2019 (in million USD)	Countries	Foreign Trade Turnover January – September 2020 (in million USD)
China	7.6	China	4,600.0
Russian Federation	6.6	Russian Federation	4,100.0
Kazakhstan	3.3	Kazakhstan	782.9
Turkey	2.5	Republic of Korea	696.8
Republic of Korea	2.7	Turkey	1,434.1





Section 2

Setting up a business

2. Setting up a business

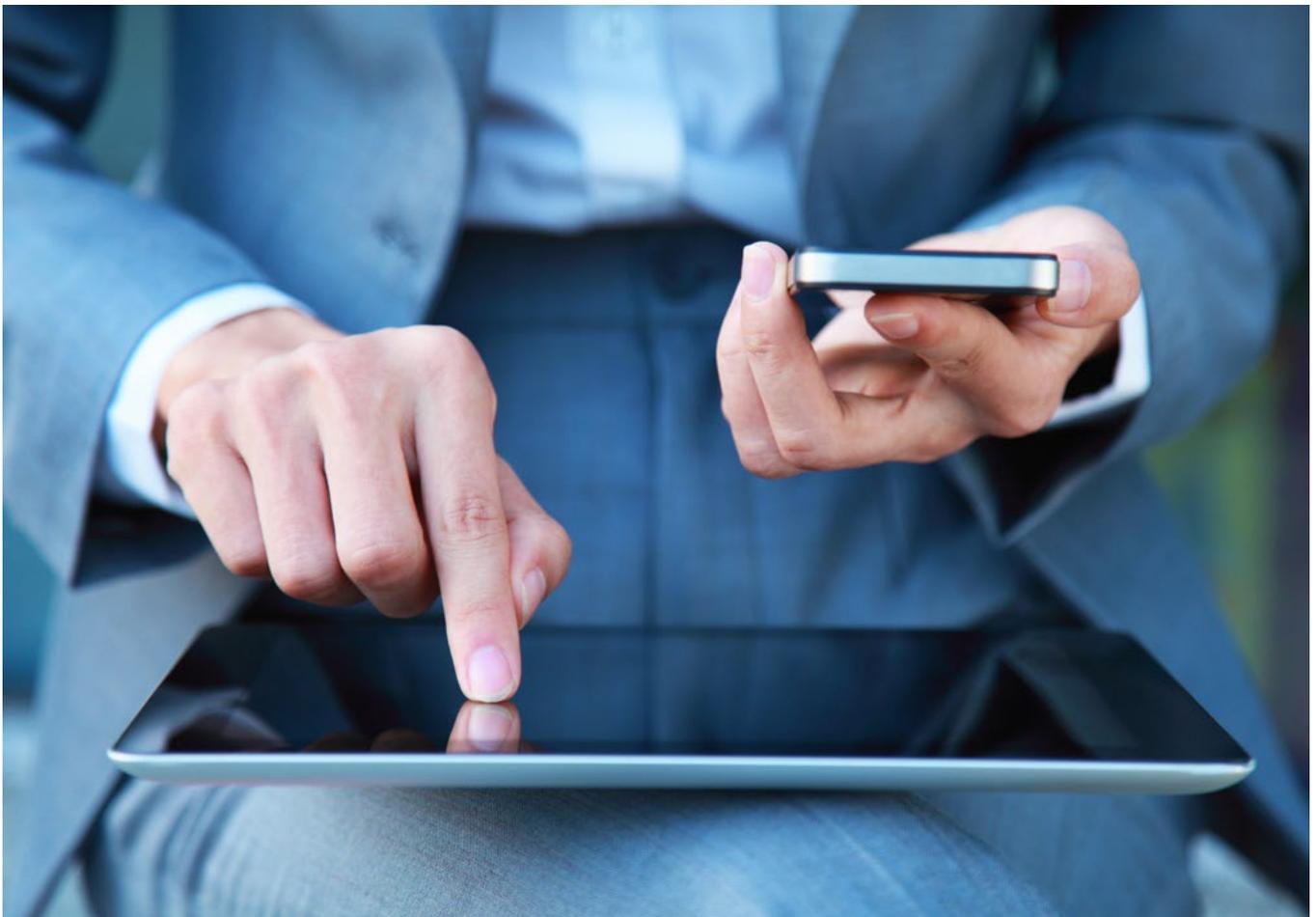
2.1. Main rules

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. Uzbekistan has also acquired an observer status in the Eurasian Economic Union.

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, a branch-type presence, 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 (except for certain reserved business areas, such as media), 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	No (except for certain reserved licensed activities, e.g. banks and microcredit organizations)	No (except for certain reserved licensed 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 in addition to executive directors?	Yes	Optional
Can you sell the company's shares through the stock exchange?	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	No
How long does a straightforward sale of company shares take, on average?	Three to seven months	One to two months

A Limited Liability Company (LLC) is the most popular type of company due to the relative simplicity of its formation and flexible rules on corporate governance, raising capital and other matters. A 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 on the same day once you upload all the documents online or file them in person. Online formation of companies is gaining popularity.

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 work permit (a confirmation of the right to work) should be obtained before a foreign employee signs an employment agreement to work in Uzbekistan. The work permit is usually issued for the term of 1 year, with the possibility of an unlimited number of extensions. The expat is issued an employment visa, the term of which 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, not less than six months, and involving termination of all employment and contractual relationships, 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 a 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 taxable "permanent establishment" on an ad hoc basis. In general, it is obligatory to establish a taxable 'permanent establishment', if the foreign-registered company 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 present an effective means of doing business.

2.1.10. Moratorium on auditing company's activities by public authorities: Uzbekistan plans to extend the general moratorium on audits until the end of 2021. The moratorium has been in existence since 2017. This is in addition to the general ban on conducting audits in the first three years of newly registered companies.

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 have at least one local director to get the company registered and to open the company's bank accounts. If the company intends to have a foreign national as a director of the company, first a relevant work permit for an expat must be obtained. Considering that the company is obliged to file tax, statistical and financial reports once it is registered, it is recommended to have an accountant to oversee the company's books right from the outset (have it in-house or outsource this function to an accounting firm). You should decide on 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: If you are acquiring a company by shares, the transaction may be subject to prior antitrust clearance with the Antimonopoly Committee of the Republic of Uzbekistan. The clearance process may take several months to complete, so please make sure that you time this in your transactional timeframes.

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 comply with your obligations as a tax agent in Uzbekistan.

2.3.3. Valid work permits: When you employ expats (as directors or employees) in your local company, make sure that you first obtain and maintain valid work permits for such expats (to work in Uzbekistan). You will also need to file for the extension of such work permits on a timely basis—at least 20 business days in advance.

2.3.4. Valid representative office: When you choose to maintain a representative office for marketing and business development purposes, make sure that you file for extension on time. Once every three years, you will need to resubmit newly legalized/apostilled corporate documents with a notarized Russian/Uzbek translation of the head office. Remember to file at least one month in advance.

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

2.3.6. Postal address: At the time of company formation, the local company needs to declare its office address that will be used as its postal/legal address. Most commonly companies lease and sometimes purchase the office space.



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 the new administration came into office in 2016, Uzbekistan has been introducing 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 new administration's masterplan, the Action Strategy for Five Priority Areas of Development of the Republic of Uzbekistan in 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 recognizes the importance of improvement of the investment and overall business climate, and the attraction of FDI into various regions and sectors of the economy.

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

3.1.3. General FDI incentives: In general, Uzbekistan upholds a non-discrimination policy towards foreign businesses, and further 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.

3.1.4. FDI incentives for individual (non-corporate) investors: From September 2019, Uzbekistan introduced an "investment visa" for founders of enterprises with foreign investment who have invested the equivalent of at least 8,500 Basic Calculation Units ("BCU")

(UZS 1,895,500,000 or approx. US\$ 182,000) (at the time of investment). Such investments may take the form of buying shares of existing businesses, as well creating a new company with foreign investment. An investment visa is issued for a period of three years, which is extendable unlimited times, without the need to leave the country.

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

3.1.5. Sectoral FDI benefits in the form of tax exemptions: Companies with foreign investments of at least US\$ 300,000 in 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 plants
- 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 US\$ 3 million: for a period of three years
- US\$ 3 to US\$ 10 million: for a period of five years
- More than US\$ 10 million: for a period of seven years.

3.1.6. Special Economic Zones: Uzbekistan has 12 Free Economic Zones (FEZs) 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 US\$ 3 million: for a period of three years;
- US\$ 3 to US\$ 5 million: for a period of five years;
- US\$ 5 million to US\$ 10 million: for a period of seven years;
- More than US\$10 million: for a period of 10 years.

Mandatory criteria to qualify for investment projects in FEZs:

- 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 are represented by local employees.

3.1.7 Guarantees against unfavorable changes in law for investments:

If the change in law worsens certain investment conditions, then investors are entitled to apply the law in force on the date of investment within 10 years from the date of investment. At the same time, investors have the right, at their discretion, to apply those provisions of the new laws that improve the conditions for their investment.

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

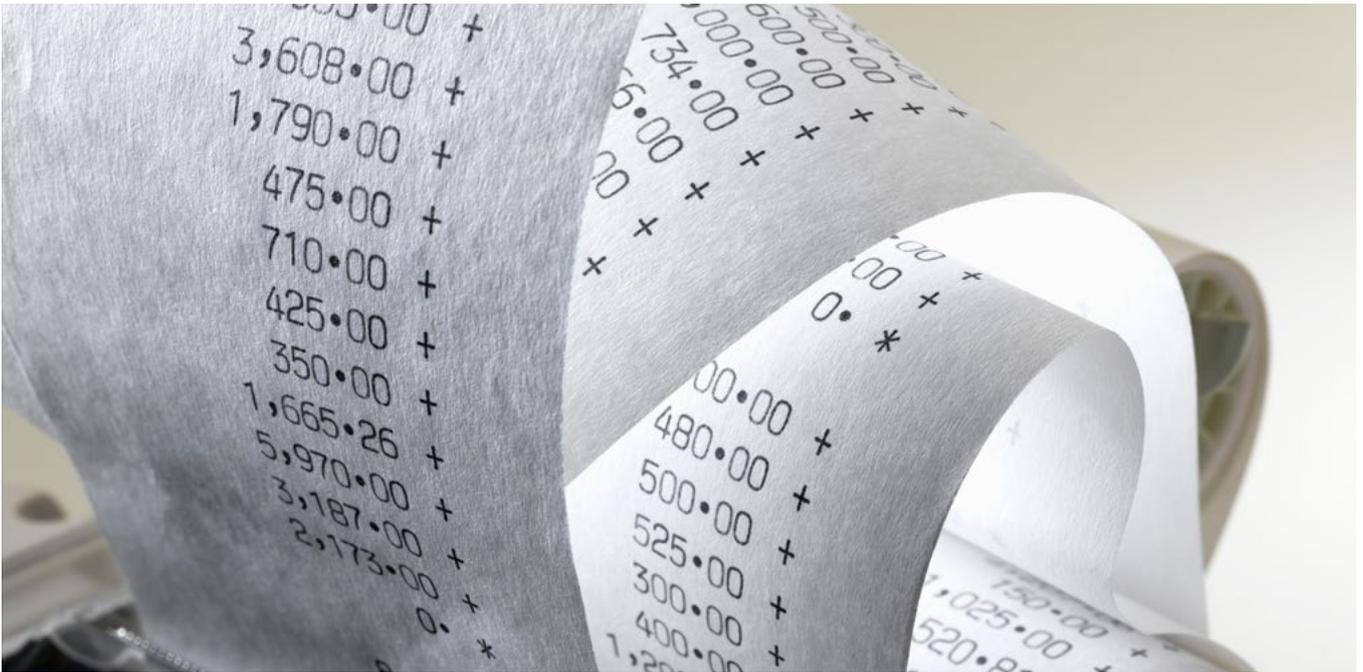
3.3.1. Licenses and permits: A number of business activities require licensing and permits, such as telecommunications services and design, construction and operation of chemical, petrochemical, and energy plants. You should find out in advance if you need any license or permit, and how much time and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

The government is continuously working to reduce the regulatory burden on business – the latest August 2020 Presidential Decree approves the abolition of 70 out of 266 licenses and 35 out of 140 permits from January 1, 2021. Furthermore, the decree seeks to simplify and fully digitalize the procedures for a number of permit documents.



Section 4

Taxes



4. Taxes

4.1. Rates and other important information

4.1.1. Tax rates

Currently, the main tax rates are the following:

Name of tax	Rate
Key corporate taxes	
Corporate income tax	Standard rate – 15% For commercial banks, cement manufacturers, manufacturers of polyethylene granules and mobile communication companies – 20%
Property tax	2%
Value added tax	15%
Payroll taxes	
Personal income tax	12%
Social tax	12%

4.1.2. VAT tax for digital service providers

From January 1, 2020, Uzbekistan introduced 15% VAT taxes for digital services provided by foreign companies to individual customers residing in Uzbekistan.

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.

The withholding tax rate on dividends for residents is 5 percent. For non-residents the tax rate on dividends is 10 percent.

4.3.2. Double taxation

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

4.4. Recommendations

4.4.1. Consider available applicable taxes, as well as 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 not inclined to offer special individual incentives 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. 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.

4.5.2. Bookkeeping: Uzbek tax law has strict rules on bookkeeping documents that a company should maintain and store for a number of 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.

4.5.3. IFRS and national accounting standards:

From January 1, 2021, joint-stock companies, commercial banks, insurance companies, and legal entities classified as major taxpayers are obliged to do their accounting based on IFRS. All other businesses have the option to prepare their financial statements in accordance with IFRS, in which case they would be exempted from preparing the financial statements in accordance with the national accounting standards. All other businesses have to comply with the national accounting standards.

4.5.4. Permanent establishments: Permanent establishments of non-resident companies have become subjects of local VAT. This means invoices issued by foreign entities operating through permanent establishments may need to reflect VAT. Besides, from January 1, 2020, all invoices have to be issued online in electronic form through a special system.

4.5.5. Mandatory B2B e-invoicing:

All businesses must issue their invoices electronically using the approved operators of electronic invoicing whose systems are connected with the system of the national Tax Committee.



Section 5

Employment

5. Employment

5.1. Payroll taxes

Since 2019, a flat 12% personal income tax and 12% social tax is in place.

5.2. Your basic obligations as an employer

If you are an employer in Uzbekistan, you should:

- e-Register employment contracts online with the Single National Labor System;
- Use the job titles that comply with the Classification of Positions and Professions;
- Provide each employee with a job description;
- Approve internal regulations of the company;
- Set up a personal file for each employee;
- Keep employment work records for each employee online with the Single National Labor System;
- Ensure safe working conditions;
- Obtain and maintain mandatory insurance for employer's liability;
- Apply for work permits to employ foreign persons;
- Archive labor 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 an employment contract that do not meet the minimum requirements of the law are void.

As a result, the draft new edition of the Labor Code has been developed and its latest version has been published for discussion in September 2020. 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: Employment contracts may be made for either an indefinite or fixed term. A definite-term employment contract is concluded when the parties are not able to conclude an indefinite-term employment agreement based on the nature of the work, its conditions, or the employee's interests. A definite-term employment agreement can also be concluded with the head of the company, deputy head or chief accountant, and in other cases provided by law.



5.3.3. Vacation: Paid annual vacation cannot be less than 15 business days. Extended vacation can be agreed in the employment agreement or other internal corporate policies of the employer.

5.3.4. Sick leave: Any employee is entitled to sick leave. The allowance for employee's temporary disability (sick leave) is paid by the employer at its expense. In case of prolonged illness, the employee is subject to a special medical expert commission, which examines and formally makes a conclusion regarding the employee's ability to continue work. Based on such conclusion, the employee may become entitled to disability status.

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: Female employees who have a child are entitled to be 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 monthly rate of 2 BCU (approximately US\$ 40) for a period of two years. The employee may work part time during the childcare leave. In this case, she is paid her part-time wage plus the childcare allowance.

5.3.7. Pensions: Pensions for citizens and permanently residing non-citizens 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 and becomes subject to the same tax rules as residents.

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 dispute:

Employment disputes are settled in civil courts. 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 double rate of the normal hourly rate.

5.3.12. Personal data: Employees' personal data should be processed with the employees' prior consent and in compliance with data protection laws.

5.3.13. Single National Labor System:

An interdepartmental hardware and software system – the Single National Labor System – was introduced in 2020. Employers have to do the following in the System:

- register labor relations, including the conclusion, amendment and termination of employment contracts;
- maintain the staffing table in the System;
- generate and maintain data on the employment of individuals in the electronic workbook.

5.3.14. Simplified employment regime for construction projects: Construction companies are allowed to hire workers on an urgent basis without concluding a paper employment contract and with cash payment. The amount of such payments should not exceed 10% of the total payroll for the reporting period.

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.

5.5. Things to watch out for

5.5.1. Since 2020 the employer is obliged to register its employment relations through the Single National Labor System. (Please see section 5.3.13 above for details)

5.5.2. Electronic workbook: The records of employment are kept in the electronic workbook since 2020. Accordingly, generation and maintenance of data on the employment of individuals in the electronic workbook must 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: Employment termination of a female employee is possible at the age of 60 and an employment record of 20 years. The general rule for employment termination with male employees remains the same: age 60 and employment record 25 years.

5.5.5. Employment and service contracts: Service contracts with individuals generally are not considered as employment contracts. However, in terms of taxation they are treated the same.

5.6. Guarantees and measures taken in light of the COVID-19 pandemic

5.6.1. Guarantees for employees:

Individuals quarantined due to infection with coronavirus or suspected to be infected, as well as individuals caring for their child under the age of 14, are paid temporary disability benefits in the amount of 100 % of the average wage. In addition, during the quarantine period, employers with the consent of employees may transfer them to remote work and set a flexible work schedule.



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 a seven-day period is established for citizens of China (including Hong Kong). A simplified procedure for issuing tourist visa through “e-visa.gov.uz” is available for 86 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 contribute 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 BCU (approx. US\$ 182,000) 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, and 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 at 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 work permit for a foreign employee. Application for a work permit may be filed online² or through state services centers. The Migration Agency under the Ministry of Employment and Labour Relations admits employment, business, service and fellow-national types of visas to issue a work permit for a foreign employee for the first time. The work permit is usually issued for the term of an employment contract, but not more than one year (for highly qualified and qualified specialists – up to three years), with the possibility of an unlimited number of extensions. The legislation of Uzbekistan defines **highly qualified specialists** as foreign nationals, who:

- graduated from the top 1,000 higher educational institutions;
- have at least five years of relevant work experience in the stated specialty or specialty in the diploma;
- meet conditions for attracting labour to Uzbekistan, which imply the receipt of wages (remuneration) for no less than the amount equivalent to US\$ 60,000 per year.

and **qualified specialists** as foreign citizens, who:

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

² my.gov.uz



6.2. Recommendations

6.2.1. Make sure to obtain work permits in advance: Allow at least 20 business 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 an expat: The employment contract is concluded with foreign person for a fixed period based on the term of the employee's work permit.

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.



Section 7

Environmental protection

7. Environmental protection

Permits you might need

Environmental 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 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 uses of water. Issued by the Ministry of Healthcare.
Waste generation norms	
Waste processing permit	Required by organizations and individual entrepreneurs engaged in the production of products or services that will result in emissions, discharges of pollutants into the environment and waste. Approved by the State Committee on Ecology and Environmental Protection.
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 Ecology and Environmental Protection, and the 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. Environmental examination: The local environmental impact assessment involves private expert firms that prepare the assessment report and submit it to authorized centers of the State Committee on Ecology and Environmental Protection for approval.

Mandatory public discussions and hearings of draft environmental impact assessments for planned activities apply to projects with the environmental impact level of categories I and II. Furthermore, a permanent expert council functions to ensure the objectivity and validity of the conclusions on the state environmental expertise.

7.2.2. Development and approval of environmental standards: Businesses must identify, register, locate, and determine the quantity, parameters of sources of emissions, discharges, generation and disposal of waste and the qualitative composition of pollutants released into the environment and get these quantities approved by the regulator.

7.2.3. Emissions in atmospheric air:

Businesses must comply with the standards for maximum permissible emissions of pollutants and biological organisms into the atmospheric air. In case of non-compliance, the business operation can be limited or 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: By default, all land is a national wealth and is not subject to private ownership. Uzbekistan is taking its first steps to introduce private land ownership, which is an important milestone in the liberalization of the economy and the promotion of sustainable urbanization in Uzbekistan. 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.

Only citizens of Uzbekistan and legal entities – residents of Uzbekistan are entitled to privatize land plots.

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. Prepared design is then subject to a state examination procedure.

8.1.4. Commencement notification:

The owner must formally notify the territorial inspection unit of the Ministry of Construction on the commencement of construction works. Following the notification, the construction inspection unit 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 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 methods 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 Uzbekistan, as well as related to state secrets. The choice of the method depends on the amount and nature of procurement as follows:

Type of procurement procedures	Price criteria (in BCU) basic calculation unit	Other criteria
E-procurement	<p>Corporate customers:</p> <ul style="list-style-type: none"> • Goods of up to 250 BCU (apprx. US\$ 5,350) per contract but not more than 2,500 BCU; (apprx. US\$ 53,350) a year per one customer; • Works, services of up to 25 BCU (apprx. US\$ 535) per one customer. <p>Budgetary customers:</p> <ul style="list-style-type: none"> • Goods of up to 25 BCU (apprx. US\$ 535) per contract but not more than 2,500 BCU (apprx. US\$ 53,350) a year per one customer; • Works, services of up to 25 BCU (apprx. US\$ 535) per one customer. 	<ul style="list-style-type: none"> • No special requirements should be imposed on goods (works, services)
Reversed auction (in electronic form)	<p>Corporate customers:</p> <ul style="list-style-type: none"> • Goods of not less than 5,000 BCU (apprx. US\$1,067,00) per contract; <p>Budgetary customers:</p> <ul style="list-style-type: none"> • Goods of up to 2,500 BCU (apprx. US\$ 53,350) per contract. 	<ul style="list-style-type: none"> • Goods are of standard features; • No need for evaluation and comparison of technical, operational and other characteristics of goods; • Object of public procurement is not represented by works, services.
Competitive bidding	<p>Corporate customers:</p> <ul style="list-style-type: none"> • Goods of 5,000 to 25,000 BCU (apprx. US\$ 106,700 to US\$ 533,500) per contract; • Works, services of 25 to 25,000 BCU (apprx. US\$ 535 to US\$ 533,500) per contract. <p>Budgetary customers:</p> <ul style="list-style-type: none"> • Goods of 2,500 to 6,000 BCU (apprx. US\$ 53,350 to US\$ 128,040) per contract; • Works, services of 25 to 6,000 BCU (apprx. US\$ 535 to US\$ 128,040) per contract. 	<ul style="list-style-type: none"> • Possibility of formulating a detailed description of goods (works, services); • Criteria for defining the winner have not only monetary evaluation but also quantity and quality assessment of goods (works, services)
Tender	<p>Corporate customers:</p> <ul style="list-style-type: none"> • Goods (works, services) of more than 25,000 BCU (apprx. US\$ 533,500) <p>Budgetary customers:</p> <ul style="list-style-type: none"> • Goods (works, services) of more than 6,000 BCU (apprx. US\$ 128,040) 	<ul style="list-style-type: none"> • Criteria for defining the winner have not only monetary evaluation but also quantity and quality assessment of goods (works, services)
Procurement from a single supplier		<ul style="list-style-type: none"> • Goods (works, services) that are technically complex, have no alternatives in the market and can be procured only from a single supplier; • Procurement of items of cultural value; • Procurement on the basis of decisions of the president or the cabinet of ministers of Uzbekistan; • Procurement by natural monopolies; • Procurement in accordance with tariffs set by the government of Uzbekistan. <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 so-called “strategic buyers” (major state companies such as JSC “Uzburneftegaz”, “Uznefteprodukt”, “Uztransgaz”, “Uzkimyosanoat”, “Dori-Darmon” etc.) in accordance with the list of enterprises of strategic importance approved by the president, except for public procurement of goods, works, services under state development programs, projects envisaged by resolutions of the president and decisions of the government of Uzbekistan. From January 1, 2021, strategic buyers will have to follow the general procurement regime.

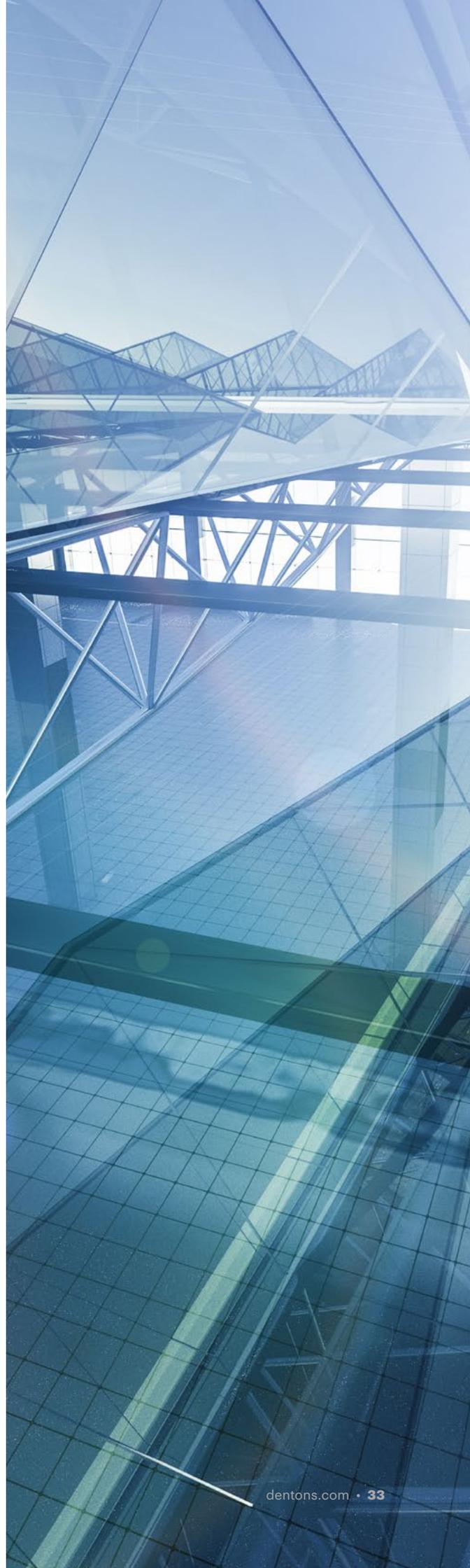
8.1.8. Purchasing real estate:

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 transaction.

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 has 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. It should be noted 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 means the judge(s) must adjudicate their interests during the hearing. The common rule is that the burden of proof rests on the party that 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 rationale 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.

There is also an expedited procedure for low-cost commercial disputes for small claims if the amount of claim does not exceed 20 BCU (apprx. US\$ 430).

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 claim, but not less than 50% of BCU. In disputes with no monetary value, state duty is fixed and equals 10 BCU. Specific cases, such as bankruptcy, have a separate calculation method. Claims to higher recourse instances amount to 50% of state duty paid for first instance courts.

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

Tashkent International Arbitration Center (TIAC) was established in Uzbekistan in November 2018, 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 law "On International Commercial Arbitration" was approved by the Senate of the Oliy Majlis and is now subject to approval by the president. The United Nations Commission on International Trade Law has confirmed that Uzbekistan's Law on International Commercial Arbitration is in line with their model law.

The law regulates organizing and terminating the activities of international commercial arbitration courts, determining the basic principles of their activities, ensuring reliable protection of the rights and legitimate interests of foreign investors, as well as national companies in their relations with foreign partners.

Uzbekistan is party to both ICSID and the New York Conventions. However, Uzbekistan did not fully align its procedural legislation with the New York Convention, and that may create complexities at the enforcement stage in national courts. Uzbekistan also signed bilateral investment treaties with more than 50 states and such BITs provide investors with the possibility to settle their disputes through investment arbitration.

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 during their course. Interim measures are usually granted if the requesting party can provide sufficient evidence that that failure to order such interim measures will complicate or make it impossible to enforce the court decision. Procedural legislation provides for a non-exhaustive list of interim measures that includes:

- a freezing order;
- a restriction to perform certain actions in relation to the subject of the dispute;
- an order to take certain actions to preserve the property in dispute;
- the transfer of property in the 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 gather 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.

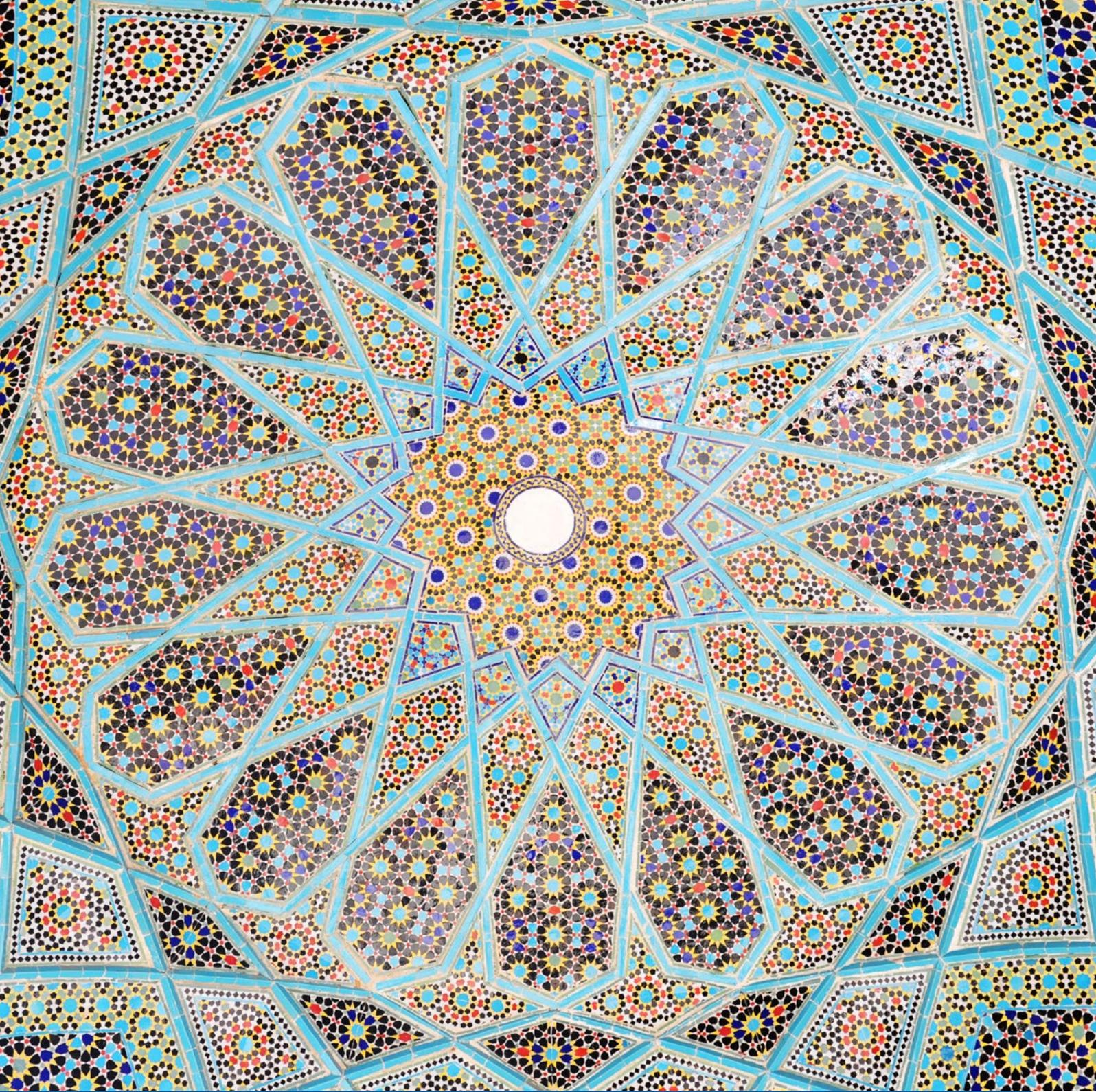
9.3. Things to watch out for

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 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.

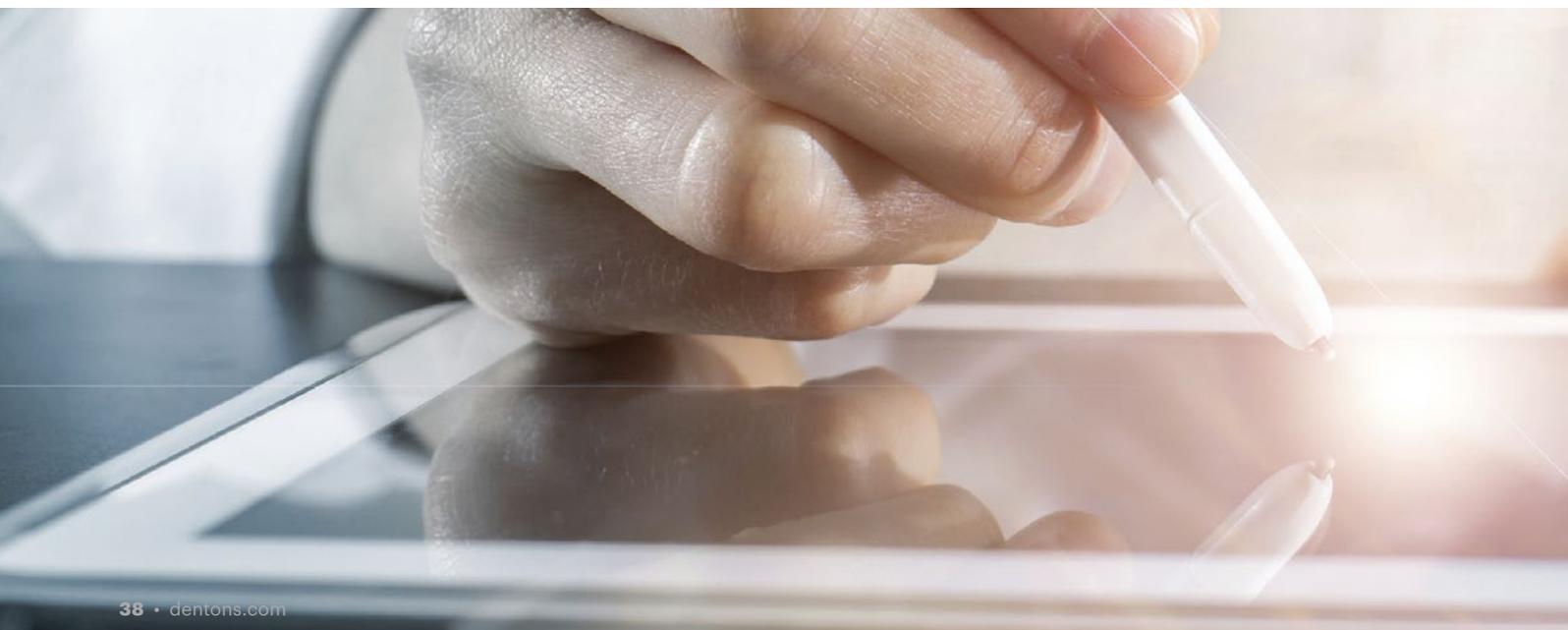
10.1.2. Copyright protection: Uzbek copyright law gives protection to works whose authors (or co-authors) are Uzbek nationals, or whose authors are nationals of any country belonging to signatory countries of the Berne Convention. Original works are subject to copyright protection without any additional 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).





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 10 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 more than 30 fully qualified legal and professional staff.

Dentons' clients in Uzbekistan benefit from our thorough knowledge of the laws and business practices, which we have gained through our 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.

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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, Legal 500, IFLR1000 and Pravo.ru-300 International.

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