



Tax alert

Overview of key legislative changes for October 2018

On 30 October 2018, the President signed a Decree to further liberalise trade and develop competition in commodity markets, introducing a procedure from 1 November 2018 for depositing and using cash receipts, allowing businesses:

- with average daily revenue exceeding 20 times the minimum wage, to deposit it daily in a bank through the collection service or independently

- with average daily revenue of less than 20 times the minimum wage to set cash transfer periods themselves
- to organise alternative collection services

Non-cash payments between legal entities, and between individual entrepreneurs using corporate bank cards can be made without sales contracts, but with an obligatory invoice.

A new exchange procedure is also being introduced from this date, whereby:

- commodity exchanges are entitled to create subsidiaries to organise the storage and logistics of exchange products, as well as develop and implement information and communication technology;

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- highly-liquid imported products, raw materials and materials may be sold domestically without restrictions, at the owners' discretion
- highly-liquid products, raw materials and materials purchased on exchanges may be sold in strict compliance with the deadlines and in the sequence set by electronic exchanges, based on payment deadlines for products

From 1 November, the export of goods with the total value up to US \$ 5,000 over the Internet has been simplified. At the same time the volume of the goods which can be taken out of the country for free has been increased to the same amount.

The following have been cancelled from 1 January 2019:

- wholesale trade licenses and special tax procedures for trade enterprises
- the special procedure for recording revenue from the sale of certain excisable goods (vehicles, vegetable oil and others) and their use
- special permits for itinerant trade
- sanctions on organisations with more than a 50% state interest, for overdue receivables in relations with counterparties
- the domestic market 15% prepayment for transactions with organisations having a state share of less than 50%
- restrictions on the export of certain goods (the list has not yet been published, ed.)
- the current procedure for working with the State Competition Committee on schedules for placing products on exchange trades, with the introduction of a

notification procedure for their approval

- the requirement to provide financial consumer loans for purchases from a manufacturer or distributor of Uzbekistan consumer goods (services) only

The income of commodity exchange members is subject to the same tax rules as brokers operating on the securities market.

Changes in customs legislation

Law No. ZRU-494 dated 3 October 2018 has amended the Customs Code so that customs brokers are obliged to insure their civil liability in favour of declarants or their authorised representative up to 1,000 times the minimum wage.

On 8 October 2018, the State Customs Committee approved Resolution No. 2823-1 dated 8 October amending Regulations for recording and controlling the payment of customs duties in real time when authorised representatives transport foreign goods in real time. The document establishes criteria for controlling foreign goods and measures for recovering customs duties and penalties from authorised representatives.

A new version of the State Customs Service Law (ZRU-502 dated 18 October 2018) has been adopted to include 37 articles instead of the previous 14, which cover the use of physical force, special equipment and firearms by customs officers; service procedure and conditions; the legal and social welfare of customs officers.

Changes in banking legislation

Central Bank Board Resolution No. 1497-3 dated 11 October 2018 has amended the Rules for maintaining open currency positions. A foreign

currency position is the ratio of assets and liabilities in foreign currency of a foreign exchange market operator. Currency positions can be open or closed. If a bank and its counterparties' foreign currency assets and liabilities are equal, the currency position is considered closed and vice versa. If a bank has more foreign currency liabilities than assets, it has a short currency position. A long currency position is the opposite. Open currency positions affect the financial condition of commercial banks, and especially during currency fluctuations. The Central Bank has also introduced the following new currency positions based on:

- the total value of all long currency positions
- the total value of all short currency positions

The Central Bank will set limits individually. Previously existing standards are excluded from the document.

Central Bank Board Resolution No. 1948-16 dated 25 October 2018 has amended the Instruction for Bank Accounts opened in Uzbekistan Banks, so that when opening and servicing corporate bank accounts, banks are no longer to demand documents be printed or submitted with stamps, even if the company has a stamp. There is no differentiation between individual entrepreneurs, microfirms, small or large businesses. For identification purposes the banks will only require to fill in special cards with sample signatures. New templates of such cards have been approved for legal entities and sole traders. Legal entities founded by Uzbekistan resident individuals will be able to open bank accounts in national and foreign currency during state registration. Bank account

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agreements will be concluded when an account is opened by accepting conditions offered by the bank.

The rules for controlling the legalisation of income derived from criminal activities and financing terrorism in commercial banks No. 2886-2 dated 25 October 2014 will be amended from 25 January 2019 so that banks are obliged to check individuals purchasing coins containing precious metals from the Central Bank in amounts exceeding 500 times the minimum salary. Transactions such as the transfer of funds by non-residents to residents as grants, financial assistance, loans or gratuitous assistance will be excluded from the list of doubtful and suspicious banking operations.

The following transactions will be deemed doubtful:

- overseas bank transfers, in case the beneficiary changes bank requisites;
- with the participation of persons permanently residing in areas with increased terrorist activity
- with persons in interstate wanted lists and other operations

The criteria for considering an operation to be questionable or suspicious have changed for a number of operations. Relationships between Uzbekistan banks and non-resident banks and international money transfer systems will be simplified slightly.

Central Bank Board Resolution No. 1863-6 dated 26 October 2018) has amended the Regulation on the National Information Database of Bank Depositors, the procedure for assigning customer codes and maintaining a list of bank accounts in it. Previously, the database combined information about legal entities and individual entrepreneurs holding accounts in banks in

Uzbekistan. Each client is assigned a unique number valid for the entire banking system, allowing all primary and secondary accounts in various banks to be highlighted. Individuals will be added to the database.

In addition, through the National Database of Bank Depositors, all servicing banks will now be sent notification of the investigating body's suspension/resumption or inquiry into account transactions. For example, bank cards and deposits may be blocked following the arrest of property.

Free economic zones

On 11 October 2018, the President signed a Resolution setting up small industrial zones in Bukhara region on the basis of idle production areas, state-owned facilities and businesses with a state share. An integrated inventory directorate will also be created. Real estate in the zones will be leased to business entities for 10-year periods. Rental will be minimal and based on the type of activity being carried out. If a business meets business plan requirements, creates jobs, pays all taxes and other obligatory payments on time, it will be entitled to own the rented property.

In Resolution No. 803 dated 6 October 2018, the Cabinet of Ministers approved a procedure for selecting investment projects for the Bukhoro-Agro FEZ and registering participants. The Bukhoro-Agro FEZ was created by Presidential Resolution No. PP-3843 dated 10 July 2017 for 30 years to:

- create modern high-yield greenhouses, including those using hydroponic technology
- organise a full cultivation cycle - from seeds to the delivery of products to market

- make use of modern resource-saving technology and alternative energy sources in greenhouse management
- grow export-oriented products
- create jobs

Accounting and taxation

(No. 3075 dated 5 October 2018) have been published to create a system for the state tax service to analyse the likelihood of a tax offence being committed. With the introduction of software, the authorities are able to analyse external information received from taxpayers in 5 areas:

1. Tax arrears
2. Systematic (twice or more within a year) recalculations in corporate tax
3. A business's systematic (twice or more) change of registered legal address from one territory to another during the reporting period
4. A business's use of a payment terminal not belonging to it
5. Complaints from individuals and legal entities about the activities of a business

The programme will analyse information received in full and generate findings on the level of danger from a tax offence using a point system. Analyses will be conducted quarterly by the 25th of the month following the reporting quarter.

The likelihood of a specific entity committing a tax offence was divided into three levels – high, average or low.

Entrepreneurs given high and medium risk levels are notified of the same and the possibility of a review.

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If a taxpayer fails to update reporting following a review, the authorities are entitled to involve the prosecutor's office. If the risk level is low, notification is not provided, a review is not performed and the tax authorities do not involve the prosecutor's office.

A procedure for registering real estate lease contracts with the tax authorities has been approved by State Tax Committee Resolution No. 3077 dated 11 October 2018). From next year, real estate rental contracts no longer need to be certified by a notary. Instead, the lessor is obliged to register the contract with the tax authorities. Registration with the tax authorities is obligatory for 2 types of contracts:

- lease agreements for buildings or structures or a part of the same, between individuals
- rental contracts for accommodation, between individuals

From 1 January 2019, landlords will be fined from 5 to 10 times the minimum wage for not registering a rental agreement or for not having a rental agreement in place. Rental contracts between individuals can be registered online using a personal account opened on the STC website. For this to happen, you can apply directly to the tax authorities at the landlord's place of permanent residence (legal entity registration) or for the location of the rented accommodation.

Administrative Regulations were issued on 13 October 2018 outlining the state service to register individual taxpayers with the State Tax Service, which includes issuing a taxpayer identification number, receiving a certificate confirming the existence/absence of tax arrears. The service is available through:

- public service centres
- the integrated state service portal (registration will be required)
- the official website of the State Tax Committee

Law No. ZRU-503 dated 22 October 2018 has amended article 1981 of the Administrative Violations Code (debtor failure to execute an executive document). The size of the administrative fine depends on the debt amount referred to in the executive document. If it is equal to 10 times the minimum wage or less, the fine is from 1-5 times the minimum wage for individuals, and from 5-10 times the minimum wage for officials. If arrears exceed 10 times the minimum wage, the fine is from 5-10 times the minimum wage on individuals, and 10-15 times the minimum wage on officials. As such, fines are no longer higher than arrears.

The new law also changed sections XVII of the Administrative Violations Code and XIII of the Criminal Code. Administrative and criminal liability for the obstruction of and unlawful interference with business activities, and other violations infringing the rights and legitimate interests of businesses have been increased, and in most areas, doubled. The Criminal Code amendments increase criminal liability for unlawful interference with business.

Healthcare

Cabinet of Ministers Resolution No. 862 dated 24 October 2018 has approved a list of required documents, fees and conditions for the recognition of state registration of medicinal products registered outside of Uzbekistan.

The State Centre for the Review and Standardisation of Medical Products, Medicines and Medical Equipment (the "Centre") is responsible for

recognising registration and examines documents submitted and enters its findings in the State Register of Medicines, Medical Products and Medical Equipment permitted for Use in Medical Practice, which confirms state registration and the Ministry of Health's permission to use the medicine. The record is valid for five years and can be renewed. The following are subject to recognition:

- drugs
- new drug combinations registered in Uzbekistan
- medical products previously registered (recognised) in Uzbekistan, but produced in other formats, dosages, or by another manufacturer
- medical products previously registered (recognised) in Uzbekistan in different packaging and/or with a different label

The application fee for recognition is 50 times the minimum wage. The Centre will consider applications within 15 working days from the date of payment of the fee.

General issues

The President signed Resolution No. UP-5553 dated 13 October 2018 increasing wages, pensions and scholarships by 10% from 1 November 2018. From that date, the minimum rates for each category will be:

- salary – 202,730 Soum
- old-age pensions – 396,500 Soum
- allowances for handicapped children – 396 500 Soum
- benefits for elderly and disabled individuals who have obtained the required work experience – 243,300 Soum

Law No. ZRU-497 dated 10 October 2018 has amended the Law on the

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Bar and the Administrative Violation Code. It approves the requirements for registering lawyer inquiries, and the timing of lawyer reviews and responses. Other changes in the field of advocacy include:

- lawyers are permitted to take up paid activities as patent attorneys and mediators, arbitration court and international commercial arbitration judges, and work in state legal departments, administrations, state enterprises, institutions and organisations
- advocacy includes arbitration court and international commercial arbitration (court) representation
- a restriction has been introduced on holding the position of Chair of the Chamber of Lawyers for more than two consecutive terms
- additional grounds for suspending the status of lawyer have been introduced
- lawyer disciplinary procedures, the suspension and termination of licenses

According to Cabinet of Ministers Resolution No. 847 dated 22 October 2018, from 1 April 2019, all cell phones will be registered by the IMEI number to protect the rights of cell phone owners by verifying unique identification codes; prevent the illegal use of devices without the knowledge of owners and prevent the use of low-quality devices. A special information system will be created and operated by UZINFOCOM for registration purposes. Registration services and identification code verification status will be provided via the Internet.

On 25 October 2018, the President signed a resolution to further improve state policy regarding interaction with Uzbekistan nationals living overseas. The document:

- offers simplified entry visa registration, including multiple

and long-term residence permits, and work permits

- aids the hiring of highly qualified personnel in demanded specialties in Uzbekistan
- assists the resolution of social and domestic issues
- provides idle state property and land for Uzbekistan nationals to implement entrepreneurial, research, educational, innovative and other projects and programmes
- fully (partially) funds study, work and other social issues
- attracts Uzbekistan nationals from highly-qualified specialists to work in senior government positions and in administrative departments, local executive authorities, other state organisations, and also as consultants (advisers)
- offers Uzbekistan citizenship according to simplified procedures
- allocates grants to Uzbekistan nationals and foreign nationals to study in Uzbekistan universities in courses such as Uzbek language and literature, history, cinema, culture, theatrical art, television and radio
- offers a simplified media accreditation procedure for Uzbekistan nationals.

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