



GRATA
INTERNATIONAL

DOING BUSINESS IN UZBEKISTAN

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1. Establishing presence in Uzbekistan

Foreign companies can establish their presence in Uzbekistan by means of:

- (1) Setting up a local subsidiary
- (2) Operating on a long-term basis through a permanent establishment (over 183 days per year);
- (3) Operating on a short-term basis with no local subsidiary and permanent establishment (less than 183 days per year);
- (4) Accrediting a representative office (supplementary and marketing services for a parent company only).

1. Establishing presence in Uzbekistan

1.1. Setting up a local subsidiary

- A local subsidiary is registered in the form of a legal entity
- Most commonly used form of business is a limited liability company
- Company registration period – half an hour
- State fee – from roughly US\$ 12 up to roughly US\$ 265
- Minimum charter capital requirement – canceled, except for licensing requirements for licensed activities
- Documents required from a foreign shareholder: (i) extract from trade register, (ii) power of attorney (iii) decision to set up a subsidiary

1. Establishing presence in Uzbekistan

1.2. Permanent Establishment

- No registration of a legal entity in Uzbekistan is required
- Not suitable for constant business operations, investment projects or activities which are subject to licensing
- Suitable, mainly, for long-term service projects (over 183 days in any consecutive 12 months period)
- Registration with local tax authorities is required
- Registration as VAT payer in Uzbekistan is required
- Payment of taxes on a monthly basis with quarterly and annual reporting



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1. Establishing presence in Uzbekistan

1.3. Short-term operations

- No registration of a legal entity in Uzbekistan is required
- Suitable only for non-licensed short-term operations for under 183 days in any consecutive 12 months period
- No registration with tax authorities is required
- No financial reporting
- Taxes are paid at the source of payment, i.e. by Uzbekistani company



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1. Establishing presence in Uzbekistan

1.4. Setting up a representative office

- No business activities are allowed to be carried out by representative offices
- Representative offices are not treated as separate legal entities
- Suitable only for conducting marketing researches and providing supplementary services to a parent company
- Registered by means of accreditation with the Ministry for investments and foreign trade of the Republic of Uzbekistan
- Average period of accreditation – 1 year
- Representative offices pay no taxes, apart from unified social payment in respect of salaries paid to employees
- Representative offices act as tax agents and withhold individual income taxes when making payments of salary



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2. Tax system in Uzbekistan

2.1. Taxation of residents

«GENERAL TAX» SYSTEM:

- Available for any company
- All state and local taxes apply:
 - corporate income tax (15%)
 - property tax (2%)
 - VAT (15%)
 - tax for use of water
 - land tax
 - and others
- Expenditures are deductible
- Salary related taxes, customs duties, excise taxes, state fees apply.

«SIMPLIFIED» TAX SYSTEM:

- Available for companies with an annual turnover of less than 1 billion soums (approximately 100,000 US dollars)
- No other taxes apply
- Only turnover tax is applied – 4% (general rate)
- Expenditures are not deductible
- No VAT applies
- Payment of VAT is possible on volunteer basis
- Salary related taxes, customs duties, excise taxes, state fees apply.



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2. Tax system in Uzbekistan

2.2. Taxation of non-residents

Permanent establishment:

- Corporate profits tax (15%)
- Expenditures can be deducted only if they are proven by corresponding documents
- Certain expenditures are not deductible (royalty, interests, overseas administrative costs etc.)

Withholding taxation:

- Rates of withholding tax:
 - - Dividends and interests – 10%
 - - Insurance premiums – 10%
 - - International telecommunication services – 6%
 - - International transportation services – 6%
 - - all other payments – 20%
- No deduction of expenditures is allowed
- Exemption under international double taxation treaties may be granted



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3. Guarantees to foreign investors

The following are some of the guarantees available for foreign investors which have been explicitly fixed in Uzbek laws:

- Guarantee against state intervention
- Guarantee against all types of discrimination
- Guarantee for free use of funds
- Guarantee for return of investment
- Guarantee against retroactive effect of laws
- Guarantee of transparency and free access to information
- Guarantee against nationalisation



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4. Hiring Foreign Personnel

4.1. Working through a work permit:

- Work permits are required when a foreign employee carries out works in Uzbekistan;
- Work permit consists of the following two documents:
 - i. Permission to hire foreign personnel, which must be received by an Uzbek employer;
 - ii. Confirmation of the right to work in Uzbekistan, which must be received by a foreign citizen;
- Work permits are usually issued for up to 1 calendar year
- Work permits are issued by the Centers for Public Services



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5. Special economic zones

Currently, there are 23 (12 free economic zones and 11 industrial zones) Special Economic Zones in Uzbekistan:

- Navoi Free Economic Zone;
- Jizzakh Free Economic Zone;
- Angren Free Economic Zone;
- Urgut Free Economic Zone;
- Gijduvan Free Economic Zone;
- Khazorasp Free Economic Zone;
- Kokand Free Economic Zone;
- Syrdarya Free Economic Zone;
- Namangan Free Economic Zone;
- Chirokchi Free Economic Zone;
- Nukus Free Economic Zone;
- Termez Free Economic Zone.

Additionally following industry specialized zones are available:

- Fish farming zones in Tashkent region;
- Pharmaceutical zones: “Zomin Pharm”, “Kosonsoy Pharm”, “Sirdaryo Pharm”, “Boysun Pharm”, “Bustonlik Pharm”, “Parkent Pharm”. “Andijan-Pharm” zones;
- Agricultural zone “Buxoro-Agro”;
- Touristic zone “Charvak”.



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6. Licensing regime

- The Law on licensing certain types of activities and Resolution of the Parliament No. 222-II approve an exhaustive list of activities which are subject to licensing in Uzbekistan (50+);
- The vast majority of licenses are issued for an unlimited period of time, while for certain types of activities licenses are issued for a five years period with a right for renewal an unlimited number of times;
- On the grounds of special decisions the Government may allow issuance of certain licenses to foreign companies, for example: license to design construction projects.



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7. Judicial system

The judicial system of Uzbekistan is regarded as an independent branch of state authorities and is not subordinated to neither executive nor legislative branches (except arbitration tribunals). The judicial system consists of:

1. The Constitutional court of Uzbekistan
2. The Supreme court
3. Arbitration tribunals

7. Judicial system

(1) The Constitutional court of Uzbekistan:

- does not have branches in the regions
- responsible for judicial review of decisions and legal acts enacted by state authorities

(2) The Supreme court:

- has district, city and regional economic courts of first instance and courts of appeal
- responsible for and has separate courts for hearing civil, administrative, criminal cases.
- hears cases between individuals and between legal entities, state authorities and private entrepreneurs arising from conducting commercial, business and other regular operations.
- has separate military courts subordinated to the Supreme Court.



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7. Judicial system

3) Arbitration tribunals:

- comprise a system of non-governmental dispute resolution bodies;
- arbitration tribunals can be established under any legal entity in the form of permanent or ad-hoc tribunals;
- can start hear cases only after registration with the Ministry of justice;
- have competence to settle disputes of commercial and contractual character arising between business entities and individuals;
- cannot hear cases against state authorities, family law cases, employment law cases, bankruptcy cases and other sort of disputes which the law determines to be settled in state courts only;
- arbitration awards are final and cannot be appealed, except for appeals based on breach of procedural rules.



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**THANK YOU
FOR YOUR ATTENTION!**

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