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BUSINESS RELOCATION TO UZBEKISTAN

Recently, the popularity of the jurisdiction of the Republic of Uzbekistan for investors from the countries of the former USSR has increased markedly. This article provides a general overview of those aspects of the Uzbek legal regime that may interest citizens of the Russian Federation, the Republic of Ukraine and Belarus planning to relocate the business to the Republic of Uzbekistan.

Benefits of relocation of business to Uzbekistan

"New Uzbekistan" is a new policy concept that has given impetus to long overdue political and economic reforms. In 2021, the GDP of Uzbekistan at current prices amounted to UZS 734.6 trillion (USD 69.2 trillion). The growth compared to the level of 2020 amounted to 7.4%. According to statistics, the most active growth is observed in the field of transport and IT - 17.2%.

The strategic geographic location of the Republic of Uzbekistan (i.e., a trading gateway to a market with approximately 50 million consumers in Central Asia and 300 million in Western China), including ease of travel to Europe and East Asia with direct flights to major destinations, are essential in choosing a country for relocation purposes. In addition, visa-free entry is provided for citizens of 87 countries, including EU countries, CIS countries, and OECD countries.

Moreover, the Republic of Uzbekistan maintains friendly relations with all leading countries, both European-American and the former USSR countries, plays an essential role in the Chinese Belt and Road Initiative, and is also a key business partner of the West in Central Asia.

In Uzbekistan, Russian is spoken by 50% to 80% of the population. Russian is compulsory for study in all universities in the country and is also the main language of office work in large cities. English is also widely spoken among the younger generation.

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1 Doing Business

Despite the fact that Uzbek laws provide for a wide range of organizational and legal structure of commercial organizations, in practice, the most common and optimal organizational and legal structure at present is a Limited Liability Company (the “LLC”).

The LLC is created by one or more individuals or legal entities, with an Charter Capital divided into participation shares. The size of the share of participation is determined in its foundation documents. The foundation documents of the LLC established by two or more shareholders are Charter and Foundation agreement. If the LLC is established by one shareholder, the only foundation document is the Charter.

The number of shareholders in the LLC may vary from 1 to 50.

Requirements for registering LLC

A legal entity must be registered in the prescribed manner by an authorized registrar. The process of state registration of the LLC is carried out by the relevant division of the Public Services Center under the Ministry of Justice of the Republic of Uzbekistan (the "PSC").

In order to register a legal entity, it is necessary to submit a package of documents to the PSC that includes the followings:

- extract from the trade register in Russian (for legal entities) or a copy of the passport and PINI (personal identification number of individual) (for individuals);
- Charter in Uzbek;
- participants' decision to establish a legal entity in Russian;
- power of attorney for a local representative (notarized, no apostille required).

The process of registering the LLC takes about 30 minutes, following which an e-version of the Certificate of registration is issued.

Moreover, in Uzbekistan, there is no requirement for the minimum size of the LLC’s Charter Capital. The exception is the licensing requirements for the licensed types of activities of the LLC.

2 Banks and payment systems

Upon registering the LLC, it is necessary to contact the bank and open an account. It is possible to open a bank account only in the presence of the Director of the company.

Please note: a company registered on the territory of the Republic of Uzbekistan cannot open

accounts in foreign banks (except per decisions taken by the Government or directly by the President of the Republic of Uzbekistan).

In order to open an account, it is necessary to submit the following documents to the bank:

- company's Certificate of registration;
- order on the appointment of the Director;
- Director's passport.

In Uzbekistan, a bank account can be opened within 30 minutes. The maximum term is up to 2 banking days.

Foreign citizens can also open a bank account and receive a local payment card, including a Visa or Mastercard. It is necessary to apply directly to the bank with a passport and a certificate of registration of a foreign citizen, or provide a notarized power of attorney in the name of the representative and a copy of foreign citizen's passport.

There are local payment services UzCard and Humo in Uzbekistan. Moreover, about 70% of points of sale in Tashkent accept Visa, Mastercard, and UnionPay cards. Moreover, several local banks issue co-badged payment cards MIR + UzCard.

3 Currency operations

Under Uzbek laws, current international transactions and related purchases or sales of foreign currency by residents and non-residents are carried out without restrictions.

There are no restrictions imposed on foreign investors regarding currency conversion, transfer, or repatriation of funds related to investments (e.g., transfers of investment capital, profits, loans or rental payments, royalties).

Moreover, there are no restrictions on opening a bank account in Uzbekistan by non-residents; respectively, foreign citizens may freely open a bank account both in local currency (UZS) and in USD, GBP, or EUR through a representative or by personal presence.

In most cases, settlements and payments for goods (works, services) on the territory of the Republic of Uzbekistan in most cases are carried out in local currency (UZS).

4 Tax rates

The Tax Code establishes that the legal entities registered in Uzbekistan are subject to either the general taxation regime or the simplified taxation system (the "STS"). The STS is available for companies with an annual turnover of less than USD 90 thousand (UZS 1 billion).

Under the simplified tax system, companies may not pay state and local taxes. Only VAT of 4%

(general rate) applies. VAT is not applicable, but its payment is allowed voluntarily. Expenses are also not deductible. Payroll taxes, customs duties, and state fees remain in force.

5 Work permit

It should also be noted that under the Decree of the Cabinet of Ministers "On approval of a unified regulation on the procedure for issuing certain documents of a permissive nature through a special electronic system" No.86 dated February 22, 2022, when entering the territory of Uzbekistan to undertake labor activities in a resident company, a foreign citizen must have a confirmation for employment on the territory of Uzbekistan (the "Work permit").

Work permit is usually granted for 1 year.

In addition, relocators from Russia, Ukraine, and Belarus can apply for a residence permit in the following ways:

- 1. Obtain a residence permit as a foreign investor or his/her immediate family (husband, wife, and minor children).*

Foreign investor is a foreign citizen or stateless person who has invested in the economy of Uzbekistan at least 8,500 basic calculation values (approx. USD 215,000) in the form of the acquisition of shares and shares of economic entities, including the establishment of enterprises with foreign investments, as well as having a multiple-entry investment visa valid for up to 3 years.

- 2. Buy a real-estate in:*
 - Tashkent region and Tashkent city in the amount equivalent to at least USD 300,000.
 - Samarkand, Bukhara, Namangan, Andijan, Fergana, and Khorezm regions in the amount equivalent to at least USD 200,000.
 - Republic of Karakalpakstan and other regions of the Republic - in the amount of the equivalent of at least USD 100,000.

6 Registration and visa

Nowadays, based on bilateral agreements, a visa-free regime operates on the territory of the Republic of Uzbekistan, which provides for the stay of citizens of the Russian Federation, the Republic of Belarus, and the Republic of Ukraine without issuing a visa for an unlimited period.

However, it should be noted that registration is required at the Department of Migration and Citizenship Registration of the district department of internal affairs within 3 business days, and when placed in a hotel, the responsibility of registering a foreign citizen passes to the hotel staff.

7 IT Park: residency opportunities

In order to support the IT community in the Republic of Uzbekistan, IT Park was established in 2019. Its residents are endowed with special rights and benefits and undertake activities in a regime separate from the general rules.

Until January 1, 2028, there are a number of benefits for IT PARK residents:

- exemption from all taxes;
- exemption from customs payments for imported equipment not produced in Uzbekistan for own use;
- personal income tax rate of 7.5% (instead of 12%);
- payment within the proceeds from the export of goods (works, services) of wages to foreign specialists in foreign currency in non-cash form to international payment cards opened abroad.

While taxes for non-residents of IT Park are:

- income tax - 12%;
- VAT, income tax, land tax, etc. - 5-10%;
- social tax - 12-25%.

It should be noted that customs payments are provided for the import of goods and services for their own needs.

In order to obtain the status of residence in IT Park, the following requirements must be met:

- be registered as a legal entity on the territory of the Republic of Uzbekistan;
- carry out the type (types) of activity in accordance with the list approved by the Cabinet of Ministers of the Republic of Uzbekistan;
- have economically justified business plans for the listed activities.

The Decree of the Cabinet of Ministers “On introducing amendments and additions to some resolutions of the Government of the Republic of Uzbekistan in connection with the introduction of IT visa in the field of information and communication technologies and improving the procedure for maintaining the state cadastre of communication objects” No.191 dated April 15, 2022, was also adopted (the “Resolution No.191”).

Resolution No. 191 provides the issuance of an IT visa for IT PARK residents and IT specialists and benefits and preferences for specialists and investors in this field. According to ResolutionNo.191, an IT visa is a multiple-entry visa that is issued for a period of up to three years. Its validity is extended for an indefinite period without the need to leave the territory of Uzbekistan and has the following advantages:

- obtaining education and medical services on the terms provided for citizens of Uzbekistan;

- without the obligation to re-register at the place of residence, stay in any region of Uzbekistan;
- registration of a residence permit in a simplified manner.

It is important to note that IT Park has launched a unique program to attract IT companies and IT specialists to Tashkent, including their relocation with their families. The program includes services that help IT professionals and their families quickly relocate to the country with maximum comfort.

Therefore, the provision of the above benefits in IT development and other preferences for foreign citizens is one of the crucial aspects of creating favorable conditions for relocation to the Republic of Uzbekistan.