



MONTHLY BRIEF ON UZBEKISTAN

13 MARCH - 5 APRIL 2020

**Europe-Uzbekistan Association for Economic
Cooperation (EUROUZ)**

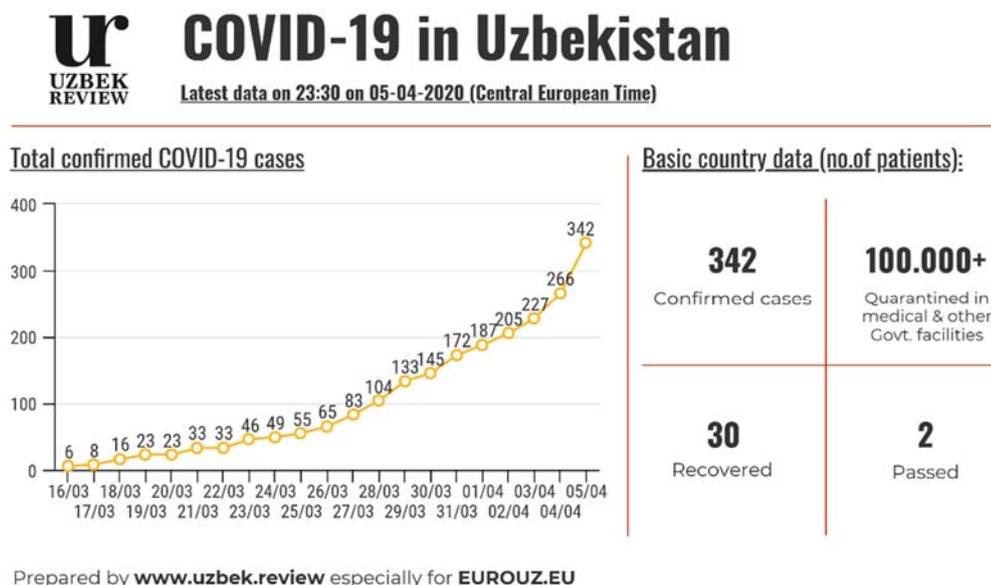
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Brussels, Belgium

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1. SPECIAL SECTION (COVID-19)

- As of 6 AM on April 6th all **major cities of Uzbekistan entered mandatory (previously only recommended) self-isolation orders by the central government.** Use of personal transport including cars, motorbikes and bicycles is no longer permitted by general population. All supermarkets and farmers markets continue to operate, but entry will be strictly monitored with mandatory temperature checks at each entry. People are only allowed to leave home for essential shopping and medical supplies. Use of personal vehicles requires special front window stickers, which are only reserved to the couriers and essential business. The update on medial situation below:



- The government also last week rolled out a **second set of economic measures** to mitigate negative economic consequences on the economy post-pandemic. New presidential decree was issued on April 3 (previous issued on March 19 – see [annex 5](#)) which now additionally include:
 - On Taxation.** From April 1 to December 31, 2020:
 - VAT payers, whose turnover on the sale of goods (services) does not exceed 1 billion soums per month (approx. 105k USD), subject to them using electronic invoicing, are entitled to calculate and pay VAT on a quarterly basis (instead of monthly-basis);
 - SME's who have suspended their activities and (or) for which the amount of proceeds from the sale of goods (services) is reduced by more than 50% compared to the monthly average for the first quarter of 2020 are eligible to receive interest-free tax payment deferral plan on turnover tax, property tax, land tax, tax for the use of water resources & social taxes of between 6 and 12 month (subject to submission of application for such deferral prior to October 1, 2020 to state tax bodies).

- The current tax rates for alcohol, alcohol products, including wines and beer, as well as taxes on gasoline, diesel fuel and gas sold to the final consumer are not going to be increase. Thus, there will be no increase of these taxes that was supposed to take effect as of April 1st.
- Customs exemptions. The building materials necessary for the construction of medical and quarantine institutions for combating coronavirus, as well as the goods necessary for their functioning, are exempted from customs payments, including VAT, until December 31, 2020. And rapid tests for the detection of coronavirus infection are imported without levying a customs clearance fee.
- From April 1 to December 31, tour operators, travel agents and tourism entities providing hotel services (accommodation services), Uzbekistan Airways and its structural divisions & Uzbekistan Airports are exempt from land tax from legal entities and property tax of legal entities and will pay social tax at a reduced rate of 1% (previously 12%).
- **Customs exemptions** - Any building materials necessary for the construction of medical and quarantine facilities for combating coronavirus, as well as the goods necessary for their functioning, are exempted from all customs payments, including VAT, until December 31, 2020. Any tests for the detection of coronavirus infection are imported without levying a customs clearance fee.
- **Audit** - The deadline for conducting an audit at the end of 2019 for business entities subject to a mandatory audit is extended until October 1, 2020.
- **Loans and bank liquidity.**
 - Along with the introduced “credit holidays”, banks will not apply penalties for overdue loans on borrowers whose activities were adversely affected by the introduced quarantine regime.
 - Banks will receive additional liquidity in the amount of 2.6 trillion soums though Central Bank’s easing the requirements for mandatory reserves. A special mechanism is being also introduced to provide extra liquidity to commercial banks with a term of up to 3 years in the amount of up to 2 trillion soums.
 - The Ministry of Finance is entrusted to provide monthly compensation from the Anti-Crisis Fund to local budgets for shortfalls in connection with the provision of deferrals (installments) for the payment of property tax, land tax and tax for the use of water resources.

- **Bankruptcy** - For the period until October 1, 2020, a moratorium is introduced on initiating bankruptcy procedures and declaring bankruptcy of enterprises faced with financial difficulties due to restrictive measures to combat the pandemic.
- **Rent** - The accrual and collection of rental payments for the use of state property by business entities that have been forced to suspend their activities for the period of the quarantine measures is suspended.
- **Pharmaceuticals** - Until October 1, 2020, wholesale of medicines, medical devices and other products manufactured in pharmacies is allowed without any special licenses or other administrative limitation.
- **Uzbek medical workers involved in the fight against pandemic to be paid increments of up to 2500 USD for the fight against COVID-19**
 - Physicians treating and working in laboratories: 2500 USD;
 - Nursing staff in laboratories: 1500 USD;
 - Junior medical personnel: 1000 USD;
 - Other staff: 500 USD;
 - Medical workers who become infected with the COVID-19 virus by contact with infected people will be paid 10 000 USD;
 - In the event of severe health condition as a result of infection with coronavirus during work the infected workers may receive over 25 000 USD;

2. ECONOMIC OVERVIEW

2.1 LOCAL ECONOMY

- **Uzbekistan applies to borrow up to 1 billion USD from ADB to support budget against economic consequences of coronavirus pandemic.**

Asian Development Bank (ADB) has already approved a grant of 200 thousand USD for medical needs of Uzbekistan related to the spread of the Coronavirus. The bank is currently considering the prospect of mobilizing additional funds with their allocation for comprehensive support of the healthcare system.

A national Anti-crisis Fund with capital of 10 trillion sums (1.04bln USD) was already announced in Uzbekistan by the government to overcome the consequences of COVID-19. The government of the country instructed to attract foreign borrowings in the amount of up to 1 billion USD in 2020 to finance the state budget and Anti-crisis Fund. President Mirziyoyev in his recent speech to the Government also noted that the devaluation of national currencies of the Republic's main trading partners due to the coronavirus pandemic will reduce foreign exchange inflow to the country, and a current major drop in oil prices may also reduce gas export revenue.

- **100 billion soums (10.3 mil USD) to be allocated to fight poverty in 2020**

New measures to update state policy in the field of economic development and poverty reduction have been approved (by the President decree issued March 26). Same document transforms the Ministry of Economy and Industry into the Ministry of Economic Development and Poverty Reduction. All medium-term and long-term concepts, strategies and programs for the development of industries, spheres and territories will now be developed in agreement with the new policies outlined in the document. The Ministry will also conduct examination of the adopted socio-economic programs and decisions in terms of assessing their impact on poverty.

The decree defined several tasks in the areas of macroeconomics, poverty reduction, socio-economic development of regions, transformation of enterprises with state participation, formation and implementation of investment policies, development of entrepreneurship in the country. the Agency for the Development of Small Business and Entrepreneurship is reformed to the Agency for the Development of Entrepreneurship with units in all cities and regions. The Agency for Urbanisation is to be liquidated and transfer its functions and tasks to the new Ministry.

The Republican Higher School of Business and Management under the National Agency for Project Management (NAPM) and the Republican Training Center for Entrepreneurship Principles with territorial branches are as well transferred to the supervision of the Ministry. On their basis, the Higher School of Business and Entrepreneurship with regional branches in Nukus and all regional centers is to be created. It will be considered a higher educational institution for training, retraining and advanced training of personnel in the field of corporate governance and entrepreneurship.

The decree established that by October 1, the following documents should be developed:

- The concept of socio-economic development until 2030;
- Industry Development Strategy until 2030;
- National Poverty Reduction program.
- Draft resolution on the introduction in the year 2021 of a minimum commodity bundle and a minimum wage in all regions of the country.

Document also establishes that until March 1, 2021, a new legal experiment in Syrdarya region on the privatization of non-agricultural land is being initiated. The entering in force of law “On the privatization of non-agricultural land plots” will be postponed to this period

- **World Bank to provide further support to modernization of Uzbekistan’s agriculture sector**

The World Bank’s Board of Executive Directors approved a USD 500 million financing package for implementation of the Agriculture Modernization Project in Uzbekistan. The project will help the country modernize institutions and upgrade agricultural research and development capabilities. Local farmers and agribusinesses will benefit from more modern technologies, advisory and extension services, capacity building, long-term financing and agro-logistical services. As a result, they will gain better access to internal and external markets.

“Agriculture generates more than 30 % of GDP, employs 27 % of the country’s labor force, or around 3.6 million workers, and earns 25 % of all export revenues,” said Hideki Mori, World Bank Country Manager for Uzbekistan. “Modernization of the agriculture sector will lead to many better-paid jobs in rural areas, improved food security, and higher export revenues for Uzbekistan.”

The World Bank supports Uzbekistan through technical assistance and the financing of 22 projects totaling around USD 3.73 billion. These projects provide support in critical areas such as macroeconomic policies, agriculture, health, education, water supply and sanitation, energy, transport, social protection, and urban and rural development.

- **Import of foreign-made cars in decline**

Q1 2020 is expected to show a sharp decline in import of foreign made cars. This be explained by the fact that starting from January 1, 2020 Uzbekistan cancelled tax privileges for the import of foreign-made cars which cost more than 40,000 USD, that was enacted in 2018 and was valid for the whole of 2019. Data published for January 2020 shows that cars worth total of 25.5 million USD were imported to Uzbekistan. This is 28.4 million USD less compared to January 2019. Overall a 65-70% decline in imports is expected. This will likely be compensated by the fact that GM Uzbekistan has started to offer three new SUV models (most popular type of personal car), including one assembled in Thailand.

- **A new trade and logistics terminal to be created in Syrdarya region.**

The project is planned to be implemented in 2020-2024 through USD 25 million investment by the Chinese company "Xinjiang Guorui Economic & Trade Co., LTD" creating at least 200 new jobs. The Resolution of the Cabinet of Ministers of the Republic of Uzbekistan has been issued in March & provides the creation of the Trade and Logistics Terminal for storing and working metal and wood products. Both public and commercial services, including international logistics are expected to be provided on the territory of the new Terminal.

- **Chinese company completed modernisation of Hydroelectric Power Plant -14**

As of decree of the President of the Republic of Uzbekistan dd January 4, 2018, modernisation of the Hydroelectric power plant (HPP) located on Bozsu Canal in Tashkent region has been carried out by Chinese company "Power Construction Corporation of China Ltd". The original HPP-14 was constructed in 1940 in Zangiota district near Tashkent city by hashar and is a part of the Nizhne -Bozsu Cascade of HPPs. With total capacity of 13.2 MW two hydroelectric installations of HPP-14 came into a state of deterioration. As a result of modernisation, two additional installations with capacity of 7.5 MW each have been installed at the HPP-14, bringing up the total plant capacity to 15 MW.

- **Cluster system in the agricultural industry extends into a new sector.**

One of key elements currently pursued by the government of Uzbekistan in its agricultural policy is the reduction of state role and the formation of independent agricultural clusters with wide value-chains. Measures to create the first cluster in potato growing on the basis of existing agricultural organizations were adopted by resolution of the Cabinet of Ministers dated April 1, 2020 (No. 193). The modern agro-industrial cluster is created based on five limited liability companies and will be engaged in the production and deep processing of potatoes. These agricultural organizations are already implementing five investment projects totalling 23.3 million USD scheduled to be implemented 2020-2022. A total of 620 permanent and 940 seasonal jobs will be created through implementation of this project. The cluster was given the right to independently determine the volumes, varieties and types of manufactured products, considering the needs of internal and external markets and natural and climatic conditions. Business entities are now also allowed to export potatoes, which previously was only allowed through a special decision by the President or the Government on case-by-case basis.

2.2 REGIONAL & INTERNATIONAL COOPERATION

- **Uzbekistan and Tajikistan to build two hydroelectric power plants**

The neighbouring republic are ready to start the joint construction of the two hydroelectric power plants (HPP) in the Zarafshan river basin in Tajikistan. The first, it is planned to built with total cost of 282 million USD with a total capacity of 140 MW. The second phase will be the construction of a second HPP on the Fan Darya river. It's cost is estimated to be 270 million USD, with a total capacity of 135 MW. Both plants will provide support to the peak capacity of the unified power system and power flows to other regions of both republics on 50/50 basis.

- **A draft roadmap to accelerate Uzbekistan accession into WTO is made public**

The Ministry of Investments and Foreign Trade developed a draft "Roadmap" for enhancing cooperation with the WTO in 2020. The document is planned to be finalised as part of the Strategy for Uzbekistan's entry into the WTO within April 2020. From the same month, preparation and updating of the following documents is expected begin:

- in April 2020 – information on domestic support and export subsidies in agriculture.
- in June 2020 – information on state trading enterprises.
- in August 2020 – information on industrial subsidies.

By September 2020, it is planned to prepare analytical information on the possible results of Uzbekistan's accession to the WTO on the following sectors:

- agriculture;
- industry;
- service industry;
- small and private businesses.

In 2020, Uzbekistan's active participation in WTO events is also planned, including bilateral negotiations with WTO member countries on access to the market for goods and services and the participation of Uzbekistan's representatives in the XII WTO Ministerial Conference. Directions on WTO and the multilateral trading system will also appear in the local training programs. The project developers note that the document will accelerate and increase the efficiency of the process of Uzbekistan's accession to the WTO.

3. USEFUL LINKS

- The dialogue between EUROUZ Secretary-General Mr.Oybek Shaykhov and EBRD President – Sir Suma Chakrabarti on the bank's plans in Uzbekistan during EBRD President's visit to uzbekistan in early March 2020.

Available to watch at: <https://youtu.be/alq7R54ks20>



- The dialogue with Resident Representative of UNDP in Uzbekistan- Matilda Dimovska on most successful projects and organization's future plans in Uzbekistan.

Available at: <https://youtu.be/EnneDH88lfs>



- The dialogue between EUROUZ Secretary-General Mr.Oybek Shaykhov and former British MEP & Foreign Service Minister- Sir Alan Duncan on how UK evaluates changes in Uzbekistan, investment attraction and importance of education for the future of Uzbekistan.

Available at: https://youtu.be/omQTPB_nGz4



- EUROUZ Secretary General's co-authored publication in Foreign Policy :

<https://foreignpolicy.com/2020/03/28/international-cotton-boycott-uzbekistan/>

ARGUMENT

The Boycott on Uzbek Cotton Needs to End

It could help modernize the country's economy.

BY ESFANDYAR BATMANGHELIDI, OYBEK SHAYKHOV | MARCH 28, 2020, 8:00 AM



EUROUZ or Europe-Uzbekistan Association for Economic Cooperation is a new platform of cooperation between Europe & Uzbekistan, which has been created in order to assist the European business community in establishing and strengthening business, investment and trade cooperation ties with Uzbekistan. Organizations of any legal form registered within the EU Customs Union and European Free Trade Association countries or those who registered in Uzbekistan are all eligible to become members of EUROUZ. A special mechanism for cooperation is also foreseen with international organizations.

EUROUZ is envisaged a non-commercial, non-profit, non-government organization, registered in Brussels, with a representative office in Uzbekistan.

For any inquiry, contact us via: info@eurouz.com

APPENDIX 1 : INFOGRAPHICS



EUROUZ
Europe-Uzbekistan
Association on Economic Cooperation

[April 1, 2020]
IN PARTNERSHIP WITH:



EBRD projects in Uzbekistan 2017-2020

Total number of projects for the whole period of cooperation

78



Number of active portfolio projects

28

Annual number of projects



Private sector share in portfolio

18%

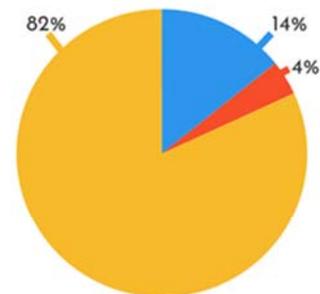


Composition of current portfolio



EBRD total investment
€1,854mln.

Current project portfolio
€948mln.
(\$1,1bln.)



● Financial institutions ● Industry, Trade and Agribusiness
● Sustainable infrastructure

The statistics used in this infographic are taken from the website of the European Bank for Reconstruction and Development www.ebrd.com

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EBRD projects in Uzbekistan in 2019

1 PFF Green investments for Kokand fertilizer plant



- Client: **Indorama Kokand Fertilisers And Chemicals JSC**
- Total project cost: \$45 million.
- EBRD funding: \$22 million 500 thousand. 
- Industry: Manufacturing industry and the service sector
- Sector: Private 

24.01.2020

2 Korzinka Equity Investment



- Client: **"Anglesey Food LLC"**
- Total project cost: \$50 million.
- EBRD funding: \$40 million.
- Industry: Agribusiness 
- Sector: Private 

21.11.2019

3 Modernization of HPP-23



- Executing Agency: **JSC "Uzbekgidroenergo"**
- Total project cost: 36 million.
- EBRD funding: \$36 million. 
- Power: 17.6 MW
- Industry: Energy 
- Sector: Public

23.09.2019

4 Modernization of HPP-22



- Executing Agency: **JSC "Uzbekgidroenergo"**
- Total project cost: \$22 million.
- EBRD funding: \$22 million. 
- Power: 4.2 MW
- Industry: Energy 
- Sector: Public

23.09.2019

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EBRD projects in Uzbekistan in 2019

5 Modernization of HPP-19



- Executing Agency: **JSC "Uzbekgidroenergo"**
- The total cost of the project: \$31 million.
- EBRD funding: \$31 million. 
- Power: 11.2 MW
- Industry: Energy
- Sector: Public 

23.09.2019

6 Modernization of HPP-18



- Executing Agency: **JSC "Uzbekgidroenergo"**
- Total project cost: \$25 million.
- EBRD funding: \$25 million. 
- Power: 7 MW
- Industry: Energy
- Sector: Public 

23.09.2019

7 Mechanism of financing of measures to increase resilience to climate change for Uzbekistan



- Executing Agency: **JSC "Uzbekgidroenergo"**
- Total project cost: \$283 million.
- EBRD funding: \$283 million. 
- Industry: Energy
- Sector: Public 

23.09.2019

8 "Modernization of water supply systems" project



- Client: **Ministry of water resources of the Republic of Uzbekistan**
- Total project cost: \$400 million. 
- EBRD funding: \$200 million
- Industry: Energy
- Sector: Public 

20.09.2019

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EBRD projects in Uzbekistan in 2019

9 Reconstruction of water supply in Surkhandarya region



- Client: **State unitary enterprise "Surkhandarya Suvokova"**
- Total project cost: \$60 million. 
- EBRD funding: \$50 million.
- Industry: Municipal and environmental infrastructure
- Sector: Public 

14.08.2019

10 Reconstruction of the water supply system in Namangan region



- Client: **State unitary enterprise "Namangan Suvokova"**
- Total project cost: \$84 million. 
- EBRD funding: \$70 million.
- Industry: Municipal and environmental infrastructure
- Sector: Public 

14.08.2019

11 Wastewater disposal and treatment in Khorezm region



- Client: **State unitary enterprise "Khorezm Suvorova"**
- Total project cost: \$75 million. 
- EBRD funding: \$75 million.
- Industry: Municipal and environmental infrastructure
- Sector: Public 

14.02.2019

12 Wastewater disposal and treatment in Kashkadarya region



- Client: **State unitary enterprise "Kashkadarya Suvorova"**
- Total project cost: \$60 million. 
- EBRD funding: \$60 million.
- Industry: Municipal and environmental infrastructure
- Sector: Public 

13.02.2019

13 Modernization of Navoi transmission line



24.07.2019

- Client: **Ministry of water resources of the Republic of Uzbekistan**
- Total project cost: \$400 million. 
- EBRD funding: \$200 million
- Industry: Energy 
- Sector: Public

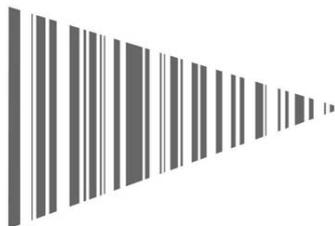
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APPENDIX 3 / PARTNER MARKET ALERT

Legal Alert

Uzbekistan
March 2020



Legal Alert of Uzbekistan

Legal consequences of restrictions imposed in connection with coronavirus disease (COVID-19): some features of the force majeure clause.

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The success of international commercial activities depends on the timely fulfillment of the obligations assumed by the parties. However, due to the current outbreak of coronavirus disease (COVID-19) and government response measures aimed at preventing its spread, there may be cases of non-fulfillment or improper fulfillment of obligations. In this regard, the conditions for exemption from liability in the law or in contracts play a very important role in practice.

In accordance with the United Nations Convention on Contracts for the International Sale of Goods, a party is not liable for a failure to perform any of his obligations if he proves that the failure was due to an impediment beyond his control and that he could not reasonably be expected to have taken the impediment into account at the time of the conclusion of the contract or to have avoided or overcome it, or its consequences.

The Uzbekistan legislation also envisages the conditions of exemption from liability. Thus, according to the Civil Law of the Republic of Uzbekistan, a party which has not performed an obligation or has performed an obligation in an improper manner shall bear liability unless he proves that proper performance became impossible as the result of force majeure.

In order to prevent the spread of coronavirus disease (COVID-19) and protect the life and health, the government has taken a number of restrictive measures. Thus, in accordance with the Resolution of the Special Republican Commission for the Preparation of a Program of Measures to Prevent the Spread of a New Type of Coronavirus in the Republic of Uzbekistan:

- regular flights between the Republic of Uzbekistan and all foreign countries have been suspended;
- citizens of foreign countries and stateless persons (with the exception of permanent residents of the Republic), as well as passenger vehicles (buses, cars and railway vehicles) were prohibited from entering the territory of the Republic of Uzbekistan through all checkpoints across the state border;
- all entertainment venues and activities have been suspended;
- all types of public events have been suspended, including celebrations and sport competitions;
- all enterprises and institutions in Tashkent city, regardless of their form of ownership, were required to provide their employees with regular vacations or organize their work remotely (online or distance);

- in Tashkent city, all markets and shops, with the exception of grocery stores and pharmacies, have temporarily ceased operations.

Moreover, the Presidential Decree On the Priority Measures to Mitigate the Negative Impact on the Sectors of the Economy of the Coronavirus Pandemic and Global Crisis (hereinafter – the "**Decree**") established that the Ministry of Investment and Foreign Trade of the Republic of Uzbekistan (hereinafter – the "**Ministry**"), the Chamber of Commerce and Industry of the Republic of Uzbekistan shall within three days publish official notification of force majeure for the duration of the above restrictions.

Therefore, these circumstances may be basis for exemption from liability. Further, the agreement may be terminated due to force majeure, if the agreement of the parties provides for this.

What is a force majeure?

According to the current Uzbekistan legislation, force majeure is an emergency, unavoidable and unforeseen circumstances caused by natural phenomena or socio-economic circumstances that does not depend on the will and actions of the parties, in connection with which they cannot fulfill their obligations.

The legislation does not directly provide that a pandemic or an epidemic is a force majeure circumstance, but the abovementioned restrictive measures taken by the government are force majeure circumstances. Moreover, in accordance with the Tax Code of the Republic of Uzbekistan, a force majeure circumstances excluding the guilt of a person in committing a tax violation are established by the presence of well-known facts, publications in the media and other means that do not need special sources of evidence.

How to confirm a force majeure?

In general, if the parties to an international transaction have doubts about the occurrence of force majeure and their consequences to contract performance, a party to the contract, for which the fulfillment of obligations was impossible due to force majeure may submit a written application to the Ministry for confirmation of the force majeure circumstances. The Ministry does not issue certificates for local (within Uzbekistan) transactions.

The Ministry issues a certificate within 20 (twenty) business days from the date of submission of the application with all required documents. Nonetheless, in accordance with the Decree, the Ministry is now obliged to issue the certificates for the period of restrictions caused by coronavirus disease (COVID-19) at the request of any business entity in 1 (one) day.

The Ministry may refuse to issue a certificate in the following cases:

- force majeure circumstances specified in the application are not established (hardly applicable to the above circumstances);
- false or distorted information in the submitted documents;
- if the Ministry has concluded that the force majeure circumstances specified by the applicant are not the reason for non-performance of the applicant's obligations.

Can force majeure serve as a basis for termination of the contract?

As a general rule, force majeure is not a ground for termination of the contract. However, the contract may provide for a maximum duration of force majeure, after which any party have the right to terminate the contract, as well also for other force majeure related terms. The term for notifying the other party of the occurrence of force majeure are also usually set by the contract.

What are the other bases for termination of the contract in the Republic of Uzbekistan?

Pursuant to Uzbekistan civil law, a substantial change of circumstances from which the parties proceeded in the conclusion of the contract is a basis for its change or termination. A change of circumstances shall be considered substantial when they have changed to the extent that, if the parties could have reasonably foreseen this, the contract would not have been concluded by them at all or would have been concluded on significantly different terms.

If the parties have not reached an agreement to change the terms of the contract in accordance with substantially changed circumstances or to terminate it, the contract may be amended or terminated by court if the following conditions are simultaneously present:

- at the time of the conclusion of the contract the parties proceeded on the basis that such a change of circumstances would not occur;
- the change of circumstances was brought about by causes that the interested party could not overcome after they arose with the degree of conscientiousness and circumspection that was demanded of it by the nature of the contract and the conditions of commerce;
- performance of a contract without change of its terms would so disturb the correlation of the contract-related property interests of the parties and would entail such damage for the interested party that it, to a significant degree, would be deprived of that which it had the right to expect upon conclusion of the contract;
- it does not follow from the customs of commerce or the nature of the contract that the risk of change of circumstances is borne by the interested party.

In case of termination of the contract due to substantially changed circumstances, a court, on demand of one of the parties, shall determine the consequences of termination of the contract proceeding from the necessary of just distribution among the parties of the expenditures borne by them in connection with the performance of this contract.

Thus, in order to amend or terminate the contract in connection with the pandemic, it is necessary: (1) to obtain a certificate for confirmation of the force majeure circumstances, and (2) if the other party does not agree with this qualification to apply to the court for forced termination or amendment of contract.

Uzbekistan introduces tax measures to support the economy and business amid the global COVID-19 pandemic

Alert on recent changes to tax legislation of the Republic of Uzbekistan

March 2020

Presidential Decree #5969 "On priority measures to mitigate the negative impact on the sectors of the economy of the coronavirus pandemic and global crisis developments" was adopted on 19 March 2020.

According to the Decree, the following measures are introduced to support the economy and business:

- ▶ Moratorium on tax audits will be effective until 1 January 2021 (tax audits will only be limited to tax audits conducted based on criminal cases and liquidation of legal entities);
- ▶ Property tax, land tax and water use tax payment deadlines for legal entities can be extended for 6 months by local authorities based on the application of the taxpayer (late payment interest on these taxes is not assessed by the tax authorities until 1 October 2020 in relation to entities experiencing temporary difficulties, and measures on forced tax collection measures shall not be applied);
- ▶ Water use tax rate for water volumes used for the purposes of agricultural irrigation is reduced by 50% in 2020;
- ▶ Social tax for individual entrepreneurs is reduced to 50% of the specified base value for the period between 1 April 2020 to 1 October 2020;
- ▶ In kind benefits received by individuals from charity institutions are exempt from individual income tax from 1 April 2020;
- ▶ The individual income tax declaration filing deadline is extended from 1 April to 1 August 2020;
- ▶ The property tax and land tax payment deadlines for individuals are extended from 15 April to 15 October 2020;
- ▶ Touristic duty is not levied during the period from 1 April to 1 October 2020;
- ▶ Penalties for having overdue receivables from foreign trade operations are not applied until 1 October 2020;
- ▶ Export of goods without guaranteed payment is allowed if the overdue receivables do not exceed 10% of the total annual export (previously export of goods without guaranteed payment was allowed only if there were no overdue receivables);
- ▶ Other non-tax measures.

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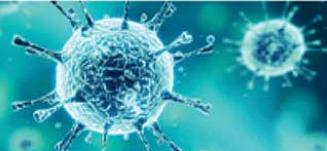


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APPENDIX 5



Anticrisis plan on reducing the negative impact of COVID-19 on the sectors of the economy




10.000 bln Sum

Anticrisis fund established under the Ministry of Finance

Funding for measures towards curbing the pandemic spread **1 000** in bln.sum

✓ Equipping health-care facilities with the necessary medical supplies and pharmaceuticals; Covering the maintenance costs of quarantined persons; **500** in bln.sum

✓ The allocation of additional funds to encourage medical personnel involved in the fight against coronavirus and the costs of the Sanitary-Hygiene Service of the Republic of Uzbekistan for protective measures. **500** in bln.sum

Entrepreneurship and Employment Support **5 500** in bln.sum

✓ providing guarantees and compensation of interest rates on loans primarily issued for the production, purchase and sale of socially significant goods; **500** in bln.sum

✓ implementation of infrastructure projects in the regions, aimed at increasing the access of business entities to utilities, especially in small industrial zones; **5 000** in bln.sum

/Strengthening of social support for the population **700** in bln.sum

✓ Allocation of additional resources to strengthen measures to support low-income families and increase the number of beneficiaries; **500** in bln.sum

✓ Allocation of additional resources to strengthen measures to support low-income families and increase the number of beneficiaries; **200** in bln.sum

Ensuring the sustainable functioning of economic sectors **2 800** in bln.sum

✓ Provision of State support measures for strategic enterprises through interest-free budget loans for repayment of loans and priority expenditures; **800** in bln.sum

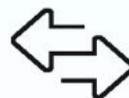
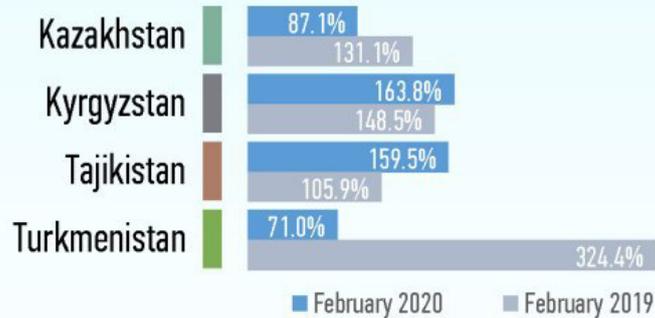
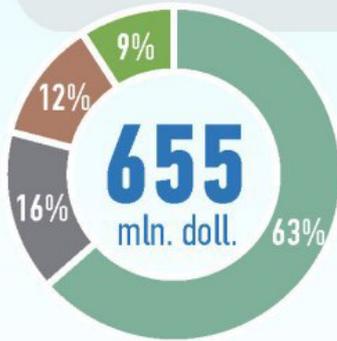
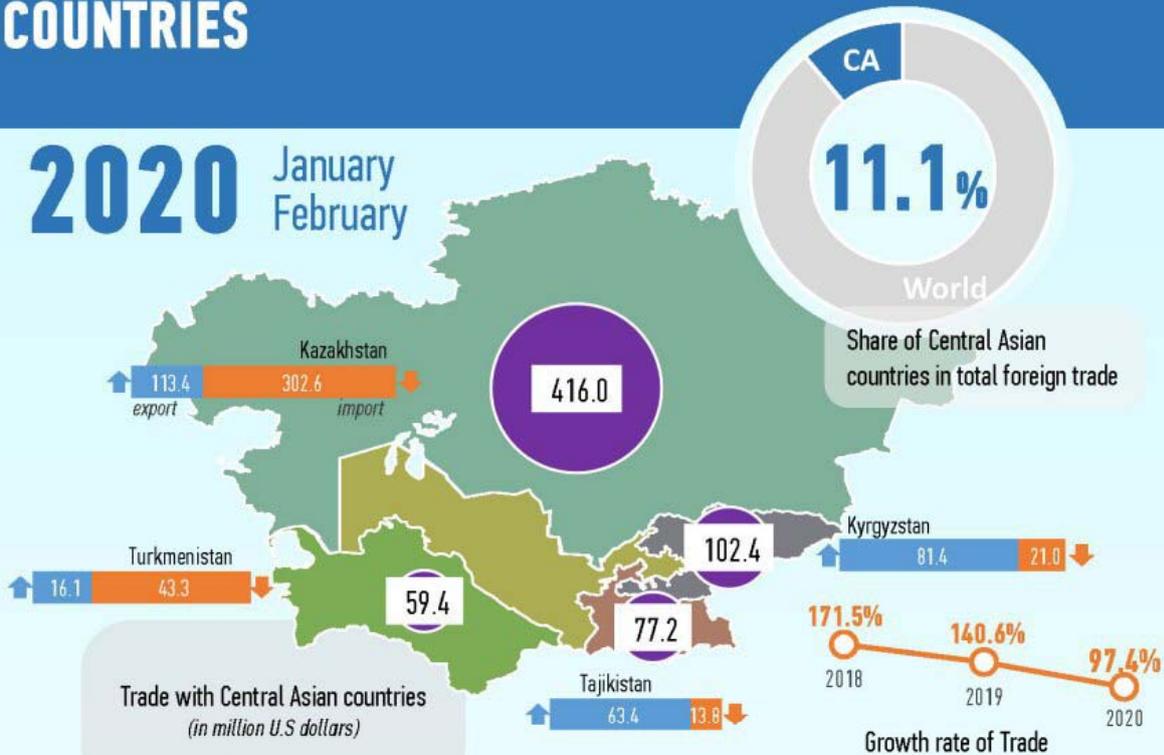
✓ Compensation of part of the transport costs of enterprises engaged in foreign trade activity; **200** in bln.sum

✓ /replenishment of shortfalls in local budgets revenues due to tax delays and reduced business activity through interest-free budget loans for up to three years; **1 000** in bln.sum

✓ Providing additional measures to support the sectors of the economy most affected by the negative impact of the coronavirus, including part of the interest payments on loans to agricultural clusters and support to the Agricultural Fund. **800** in bln.sum

UZBEKISTAN'S TRADE WITH CENTRAL ASIAN COUNTRIES

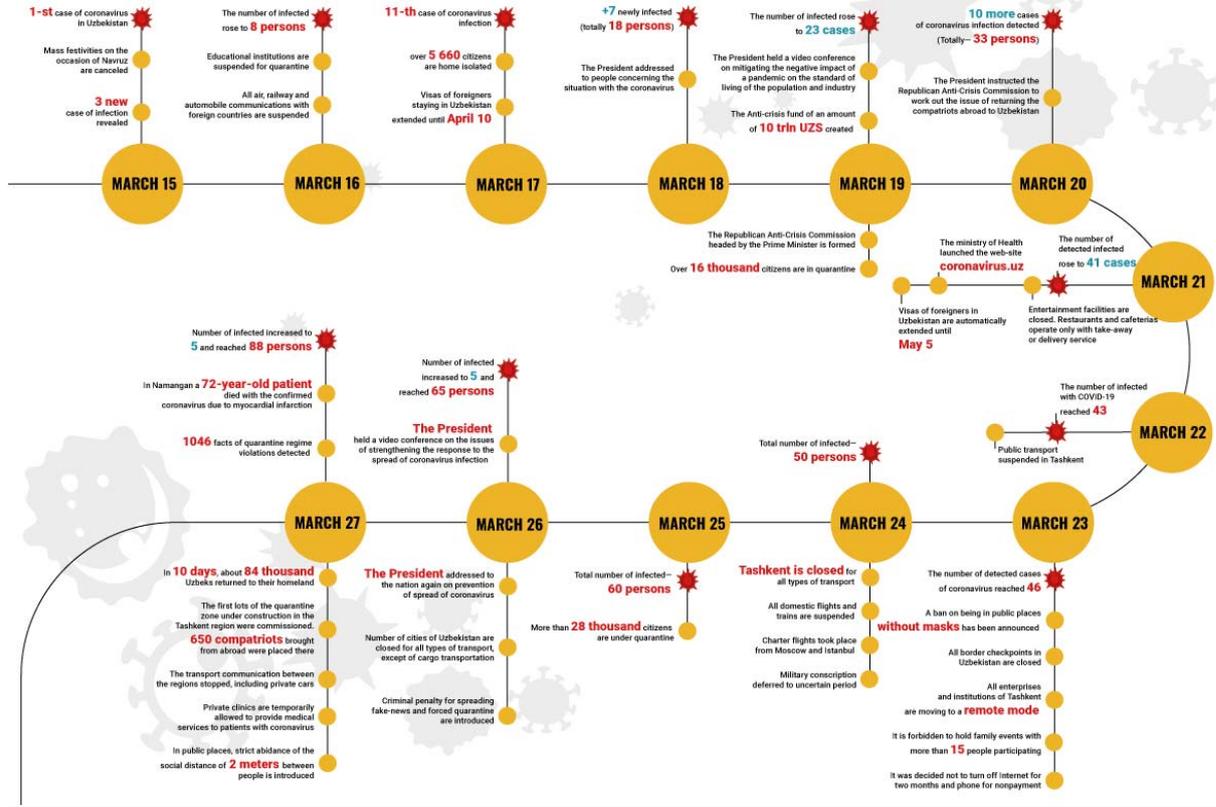
2020 January
February



Based on the data of the State Committee of the Republic of Uzbekistan on Statistics



COVID-19 IN UZBEKISTAN: CHRONOLOGY



COVID-19 IN UZBEKISTAN: CHRONOLOGY

