

Ministry of Justice of the Republic of Uzbekistan  
Japan International Cooperation Agency  
(JICA)

**THE BROCHURE**  
*on administrative procedures  
for entrepreneurs*

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## **Authorized abbreviations**

TIN - Taxpayer Identification Number

Inspections - Inspections for registration of business entities at district and city khokimiats

CoAR – Code on administrative responsibility

TC- Tax code

NAS - National Accounting Standard

LLC – Limited Liability Company

RCM - Resolution of the Cabinet of Ministers

RP – Resolution of the President

Reg. № - Registration number

MM- Mass media

The Council - The Republican council on coordination of the activity of controlling bodies

UP – Decree of the President

EPC - Economic Procedure Code

## INTRODUCTION

Due to carried out reforms, the favorable conditions for conducting business activity have been established in Uzbekistan. Significant simplification of various bureaucratic and administrative procedures in the area of entrepreneurial activity contributed to the growth of the number of entrepreneurs. Generally, these measures commemorated a new stage in economical development of the Republic, characterized by active development of the business, private initiative and wellbeing of the population.

Moreover, in recent years the development and all-round support of business entities (the term includes both private individuals and corporate entities engaged in business activity) and, especially, of the small business and private entrepreneurship sphere became the main strategic direction of the government policy. Therefore the announcement by the President of the Republic of Uzbekistan of the year 2011 as “The year of the small business and private entrepreneurship” was well-formed.

Within the framework of the State program of "The year of small business and private entrepreneurship", approved by the resolution of the President №PP -1474, dated 7 February 2011, a special attention is paid to provision of wider freedom of entrepreneurship, reduction administrative functions and permissive regulations of the state, major reduction of the level of interference by the state and controlling agencies into the financial-economic activity of business entities, further simplification of the procedures of establishment and registration of small enterprises and entrepreneurs, improvement and unification of the reporting system and the mechanism of submission of the reports to financial, tax and statistics authorities.

The above indicates the importance and good timing of the prepared manual, which covers in detail the issues of state registration and liquidation of business entities, the essential aspects of licensing certain types of entrepreneurial activity, and that allows the reader to learn about the concept, types and relevant preparation and submission procedures of various reports applicable to business entities. The manual also touches upon the issues of implementation of state control over the activity of business entities; particularly it discusses the concept, types

and procedure for conducting inspections of the business activity. The issues of application of legal restriction measures to business entities have also been explored.

As the international practice shows, the complexity of the registration and possible consequences of the liquidation of business entities negatively affects a country's business climate. The effectiveness of state functions with regard to the state registration and liquidation of business entities and handling of permissive documents essentially requires quality performance and good organization of registering authorities, as the first entrepreneurial steps in the entrepreneurial activity begin with the legal relationship developing between an entrepreneur and registering authorities. The more difficult it is to get registered as a business entity, the less people will have an incentive to carry out business activities officially, thus they will either chose not to carry out any business activity at all or will "go underground" performing an illegal commercial activity.

In connection with this, during the reforms for further liberalization of the economy in Uzbekistan, a great attention was paid to the simplification of registration procedures, reduction of administrative barriers and delay in the process of registration. As a result, the "one window" approach implying simultaneous recording was introduced in the republic for process of state registration of business entities. Such approach was further improved when a new procedure was introduced in 2003, pursuant to which permissive documents enabling to carry out business activities are processed at the time of and together with the registration of a business entity. The notification-based procedure of registration has been introduced in 2006.

In 2007 with the adoption of the Decree of the President of the Republic of Uzbekistan № UP- 630 "On improvement of the procedure of voluntary liquidation and termination of activity of business entities", dated 27.04.2007, the system of voluntary liquidation and termination of activity of business entities also underwent profound reforms.

As a result, the current legislation of the Republic of Uzbekistan provides for legal norms ensuring favorable conditions for establishment and development of entrepreneurial activity. The measures were taken to lower administrative costs and eliminate bureaucratic barriers in connection with the state registration, recording and voluntary liquidation of business entities.

In a modern world, under market economy conditions, ensuring existence of a proper business climate becomes one of the main tasks of the state. However, at the same time, it is necessary to ensure a proper quality level of goods and services in order to prevent any damage to the rights and legitimate interests and health of the citizens and to public security. Licensing of various types of entrepreneurial activity helps to accomplish this task. It should be noted that in order to prevent infringement upon the rights and legitimate interests of entrepreneurs, the Law of the Republic of Uzbekistan "On licensing various types of activities" establishes that the licensable types of entrepreneurial activity are determined by the legislative acts, and the licensing procedure for particular types of entrepreneurial activity is set by the Cabinet of Ministers of the Republic of Uzbekistan, unless the applicable legislation provides otherwise.

It is a common knowledge that the increase of the number of reporting requirements applicable to business entities often results in complication and inefficiency of their activity. Therefore, in order to prevent unreasonable intervention into the business activity, the law explicitly prohibits creation of additional reporting requirements that are not established by the legislation. It should be noted that demanding the statistic reporting and other documents that are not envisaged by applicable legislation, or demanding reporting in violation of applicable statute of limitations may lead to administrative responsibility.

In general, there is a positive trend of decrease of reporting requirements applicable to business entities. Particularly, the legislation establishes that small enterprises and microfirms shall only be subject to quarterly reports to local statistics and tax authorities in the format provided by them. Monthly requests for such reports from microfirms and small enterprises are not permitted.

This manual covers in detail the questions of the state control over the activity of business entities in the context that the limitation of audits (checks) over the activity of business entities is one of the main guarantees of the freedom of entrepreneurship. In order to improve the organization of audits and to reduce their number, to eliminate parallelism and duplication of audits by different controlling authorities, to prevent the unreasonable intervention into the economic activity of enterprises, article 39 of the Law of the Republic of Uzbekistan "On guarantees of freedom of the entrepreneurial activity" provides for a

specific frequency of scheduled audits. For certain categories of entrepreneurs, the legislation establishes certain privileges and preferences with regard to the state control over their activity.

Violation of provisions of the legislation by business entities shall lead to application of certain sanctions against them. In order to prevent unreasonable limitation of commercial activity by business entities on the grounds of their violation of applicable laws, the legislation provides for a detailed procedure and terms of application of such sanctions. This manual covers the entire body of legislation that in one way or another regulates the questions of application of legal sanctions against business entities.

The manual shall contribute to the increase of legal awareness of business entities. Such awareness, in turn, shall serve as a preventive mechanism against the violations of the legislation by business entities as well as a source of protection against the violations of their own rights, freedom and legitimate interests by the state officials.

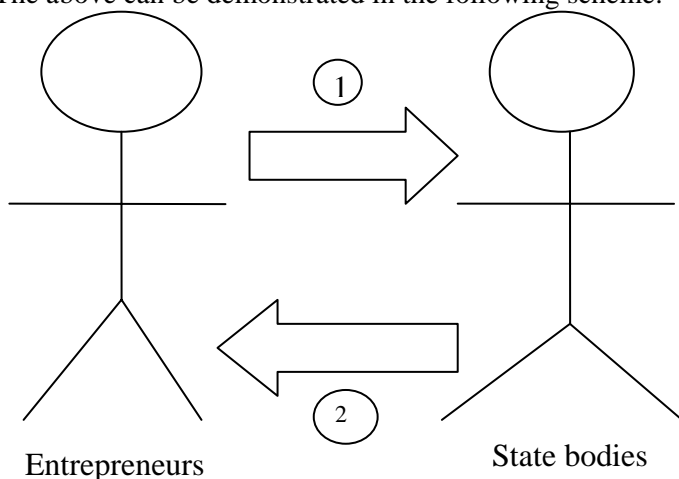
## Writing concepts

The specificity of this publication resides in the systematization and explanation of the procedures for emergence, alteration and termination of legal relationship arising between the state authorities and private persons during the state registration and licensing.

The content of this publication will be interesting for entrepreneurs in the following aspects: which documents, within what periods and to which state bodies shall be submitted to undergo state registration and licensing, recording and reporting, and to learn about the grounds for refusal in registration and licensing, about the sanctions applicable to business entities, their liquidation procedures and subsequent measures that can be taken in these cases. In other words, it discusses procedural rights of entrepreneurs in relation to state administrative bodies.

This publication will be also interesting for state administrative bodies in the following aspects: in what cases the regular or notification-based applications shall be accepted, when they shall be rejected and what is the applicable timeframe to inform the applicant about the relevant decision. In what format these decisions shall be formalized. What rules shall be observed by a registering or licensing body when taking relevant decisions. In other words, what procedural rights the administration bodies have in relation to entrepreneurs.

The above can be demonstrated in the following scheme:





In this entrepreneurs-oriented brochure the main attention is paid to procedural rights of entrepreneurs, which are marked in the above scheme (1). The manual for the state officials will mainly focus on the exercise of official authorities and procedural obligations by state bodies, which are marked above (2).

## **Structure of this book**

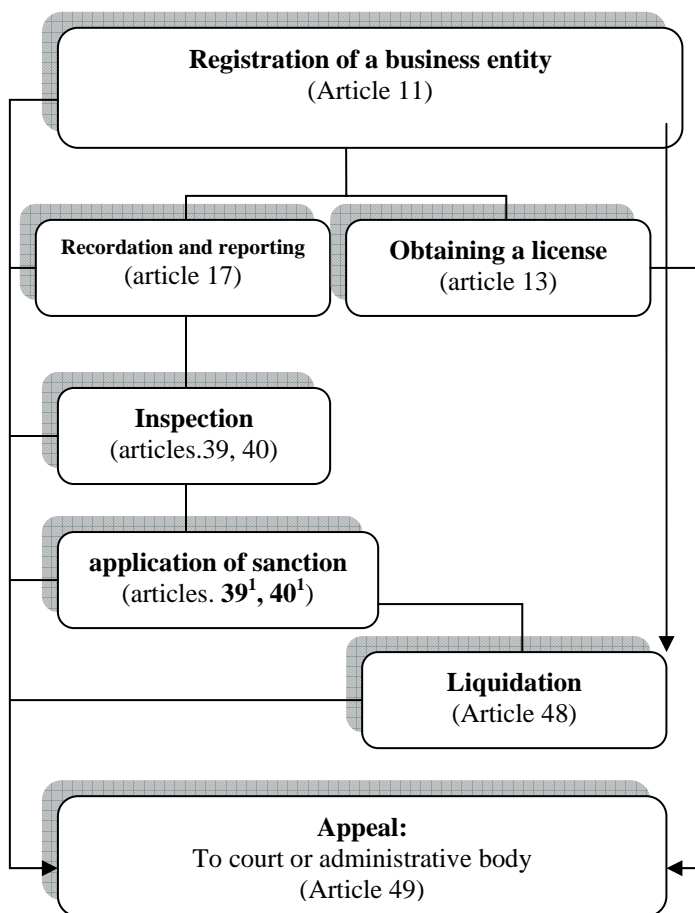
This brochure is designed as a guideline for entrepreneurs on the Law of the Republic of Uzbekistan “On guarantees of freedom of the entrepreneurial activity”. In other words, this publication streamlines and systematizes legal relations in the area of entrepreneurial activities related to emergence, alteration and termination of rights and obligations arising between the state authorities and private persons during the state registration and licensing.

To illustrate the above we shall consider the Law “On guarantees of freedom of the entrepreneurial activity”. Scheme 1 “General scheme” is the schematic illustration of the administrative procedures that a business entity should pass from the moment of its establishment up to the point of its liquidation. Scheme 1 “General scheme” shall be understood as follows:

At first a business entity willing to engage in business activity shall pass the state registration with an authorized administrative body (Registration (article 11)). In addition to that, engagement in a licensed activity requires a business entity to obtain a license from an authorized body (Registration (article 13)). A business entity that has passed the state registration and obtained a required license may then commence its business activity. After the launch of its activity, a business entity becomes subject to various reportings to state authorities (Reporting (article 17)). Also it becomes subject to administrative checks by the state administrative authorities (Administrative inspection (articles 39, 40)). In case of violation of law, legal sanctions shall be applied towards the person that is engaged in business activity (article 39<sup>1</sup>, article 40<sup>1</sup>). A business entity seeking to discontinue its enterprise shall follow the procedure of liquidation. In other words, a business entity terminates its activity by way of liquidation (Liquidation (article 48)). A person that does not agree with a decision taken by a state authority during the state registration, reporting, administrative examination, application of sanctions and liquidation, has the right to appeal such decision (Appealing (article 49)).

This book explores the issues of the state registration of a business entity, licensing, reporting, administrative inspection, application of sanctions and liquidation. Each chapter, where necessary, provides explanations about the appeal procedure.

## Scheme 1. General scheme



## **Part I. State registration of business entities**

### **Article 11 of the Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity"<sup>1</sup>**

The state registration of business entities activities is carried out by the appropriate state bodies in the manner and within the timeframe set forth by the legislation.

Registering authorities are not permitted to reject an application by a business entity for state registration on the grounds of inexpediency of its establishment or to impose additional requirements, not provided in the legislation.

A rejection to register an applicant as a business entity as well as a violation of registration timeframes may be appealed in court. In case where the court finds a decision by the state authority and or act (omission) of its official(s) illegal, the latter shall compensate the applicant for all damages and moral harm caused by the rejection or violation of registration terms.

## **Section 1. System of state registration of business entities**

### **Chapter 1. Purposes of state registration of business entities**

State registration of business entities is one of the main conditions for carrying out entrepreneurial activity. Thus, in accordance with article 4 of the Law of the Republic of Uzbekistan "On guarantees of freedom of the entrepreneurial activity" business entities are corporate legal entities and natural persons registered in the established manner and carrying out entrepreneurial activity.

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<sup>1</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan; 2000, №5-6, page-140

Also, according to article 44 of the Civil Code of the Republic of Uzbekistan, legal persons are subject to the state registration in accordance with the legislation and are deemed established as of the date of their state registration. Completing the state registration is necessary in order to confirm legitimate functioning of a particular person in the business environment

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## **Chapter 2. The nature and types of the procedure of state registration of business entities in Uzbekistan**

There are two main types of the state registration business entities established in the Republic of Uzbekistan: notification-based and approval-based procedures. Besides, a special registration procedure is reserved for banks, credit organizations and mass media.

In accordance with the current legislation, the approval-based procedure implies that the state registration of a business entity is accompanied by simultaneous formalization of the permissive document, and it can be defined as approval-based procedure of state registration of business entities. Under the approval-based procedure the state registration of business entity is carried out with formalization of the permissive documents, maintenance of the register, their registration with tax and statistics authorities, as well as with the issuance of the certificate of state registration of business entity with all other permissive documents to the applicant-entrepreneur. The approval-based procedure applies to business entities, who 1) submit, along with their applications for state registration, a copy of a district (city) khokimiat decision on allocation of a land plot for new construction in order to formalize the land rights and of permissive construction documents; 2) submit, along with their applications for state registration, a copy of a district (city) khokimiat decision on allocation of a land plot for new construction in order to obtain technical specifications for connecting to the natural gas and electricity networks; 3) apply for a licensable activity at the state registration as the primary type of activity. Consequently, if the applicant (business entity or its founder) applies for the state registration of a business entity without formalizing permissive documents and such application is for a non-licensable type of activity, the state registration is carried out under the notification-based procedure. This procedure is established in the Regulation “On state registration and recordation of business entities and formalization of permissive documents”, approved by the resolution of the Cabinet of Ministers of the Republic of Uzbekistan, dated August 20, 2003, № 357”.

The procedure of the state registration of business entities, stipulated by the present resolution of the Government, upholds the “one window” principle that enables the applicant (entrepreneur) to conduct all necessary operations with state authorities at once, i.e. proper formalization of technical specifications for connection to engineering services (gas-supply, power supply, water supply, canalization, heat supply, telephone network), re-registration of the living space into a category of non-living space, construction and reconstruction of objects.

## **Section 2. Three types of the procedure of state registration and recordation of business entities**

### **Chapter 1. Notification-based procedure of state registration and recordation of business entities (№ PP-357)**

The notification-based state registration of business entities is a fast-track registration procedure based on review of submitted documents only in part stipulated by the Provision “On the notification-based procedure of state registration and recordation of business entities”, approved by the resolution of the President of the Republic of Uzbekistan, dated May 24 2006, № PP-357.



## **§1. Business entities**

The notification-based procedure of state registration of business entities shall apply to all entrepreneurs (for example, the notification-based procedure at the Ministry of Justice applies to enterprises with foreign investments<sup>2</sup> that do not require obtaining a license), except:

- a) business entities, registration of which requires a decision on allocation of a land plot, connection to the gas and power networks, and also for licensed types of activities;
- b) individual entrepreneurs without formation of legal person, importing goods for commercial activity;
- c) banks, credit unions, lombards and mass media.

## **§2. Notification-based procedure of state registration of business entities**

The notification-based state registration and recordation of corporate business entities (legal persons) is divided into eight stages and is carried out in accordance with the scheme in annex № 1, whereas the notification-based state registration and recordation of individual entrepreneurs and dekhkan (farmer) enterprises without formation of legal entity is represented in seven stages and is carried out pursuant to the scheme in annex № 2.

## **§3 Documents submitted for state registration of business entities in the form of legal persons**

For the state registration of business entities in the form of legal persons, an applicant (the founder or a person authorized by the

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<sup>2</sup> To the enterprises with foreign investments belong newly created enterprises, which meet the conditions stipulated in the Decree of the President of the Republic of Uzbekistan №UP – 1652 “On additional stimulus and privileges granted to enterprises with foreign investments”, dated November 30, 1996.

founders in conformity with the legislation of the Republic of Uzbekistan) shall submit the following documents either in person or by post:

- Under a notification-based procedure: application-notification
- Under the approval-based procedure: regular application.

It should be noted that a list of documents required for submission along with the application (i.e. attachment) is identical under both notification-based and approval-based procedures.

The followings documents need to be attached to the application for state registration:

- Two original copies of the founding (constituent) documents in state language (the founding document required for submission for state registration of a legal person is a charter or a founding agreement, or a charter and a founding agreement together, provided that for limited or additional liability companies – the foundation agreement and the charter; for the full and limited partnerships – only the foundation agreement; for joint-stock companies, private enterprises, farmer enterprises and dekhkan enterprises with formation of a legal entity - only the charter. Enterprises with foreign investments and other entities with foreign capital require notarization of founding documents;
- Proof of payment of the applicable state registration fee (except for dekhkan enterprises, and joint-stock companies created on the basis of state enterprises);
- Unique username and password, confirming reservation and availability of a trade name in the centralized trade names database (hereafter “trade name confirmation”);
- Three copies of corporate seal and stamp designs.

In addition to the above, the following documents must be submitted for registration of:

a) markets: a decision by the Council of Ministers of the Republic of Karakalpakstan, regional and Tashkent city khokimiats on allocation of a land plot for the purposes of organizing a market, and

a document confirming contribution of at least 30 percent of the market's charter capital indicated in the founding documents;

b) enterprises with foreign investments and other enterprises with foreign capital:

i. A statement about the foreign founder from the trade-register of its place of registration legalized in the established manner at the consular office of the Republic of Uzbekistan, and, in the absence of such, at the Ministry of Foreign Affairs of the country of the founder's registration or a consulate or diplomatic mission of that country in the Republic of Uzbekistan followed by a certification by the Consular department of the Ministry of Foreign Affairs of the Republic of Uzbekistan, unless otherwise provided in the international agreement of the Republic of Uzbekistan. An extract from a trade-register shall contain the name of a foreign legal entity, its location, amount of its charter capital, type of business structure, date of its registration and duration of its activity as well as information on persons authorized to sign documents on behalf of the foreign legal entity. The mentioned extract is valid for a period of 1 year from the date of its issuance. Individual person nonresident of the Republic of Uzbekistan shall submit a copy of his passport. These documents must be submitted with the accompanying notarized translation into the state language. If the foreign founder's contribution to the charter capital of an entity (organization) is in the form of an intellectual property rights, then the evaluation report prepared by an evaluator in the manner established by the legislation must be submitted by the applicant;

ii. Documents confirming contribution by each founder of 30 percent of their respective shares in the company's charter capital (a bank certificate on the deposit of money to temporary foreign currency and Uzbek soum savings accounts, a customs declaration confirming importation of property into the territory of the Republic of Uzbekistan, an act of acceptance of the property, title document to the imported property and other);

c) Dekhkan enterprises (legal entities) and farming enterprises – a copy of the decision by a city khokim on allocation of a land plot;

d) Business entities, created as a result of reorganization in the form of a merger, division, separation or transformation of a legal entity:

i. A confirmation of written notification of all known creditors of the reorganized legal entity and publication of the notice on reorganization in mass media;

ii. A transfer act (in cases of merger and transformation) or a separation balance sheet (in cases of division and separation), containing provisions on legal succession with regard to all obligations of reorganized legal entities before all creditors and debtors, including disputed obligations;

iii. Original copy of the registration certificate, the corporate seal and the stamp of the reorganized legal entity (submitted at the registration of business entities created by way of merger, division and transformation of a legal entity).

The above documents are submitted for the state registration of business entities as a legal person.

### **§3 Duration of the state registration**

Under the notification-based procedure the state registration of business entities accompanied by an issuance of the certificate of state registration is done within two days from the date of submission of an application-notification.

#### **§4 Grounds for state registration refusal**

The following are the grounds for refusal in state registration, as applicable to all business entities:

- Application is made to an incorrect registering authority (for example, applying to the Ministry of Justice while it is required that an application is made to the Inspection);
- Failure to submit the full package of required documents.

In addition, the following are the grounds for refusal in the state registration, as applicable to legal persons:

- Discrepancy between the trade name indicated in the founding documents and designs of corporate seal and stamp and the trade name indicated in the trade name reservation document;
- Non-conformity of the corporate (business) structure provided in the founding documents and designs of corporate seal and stamp to those allowed by the legislation of the Republic of Uzbekistan;
- Indication in the founding documents of activities that are prohibited by the legislation of the Republic of Uzbekistan.

In addition to the above, non-conformity of the charter capital size provided in the founding documents with the applicable charter capital size under the legislation of the Republic of Uzbekistan is a ground for refusal in the state registration of those business entities that are subject to minimum charter capital size requirements under the legislation. For example, the minimal size of the charter capital of a joint-stock company shall be not less than the amount equivalent to four hundred thousand USD at the exchange rate of the Central Bank of the Republic of Uzbekistan applicable on the date of state registration of a company, and the minimal size of the charter capital of newly-established markets shall be not less than five hundred minimum wages.

The following are additional grounds for refusal applicable to enterprises with foreign investments:

- The share of foreign investments is less than 30% of an entity's charter capitals<sup>3</sup>;
- Absence of a foreign legal entity among the founders of an enterprise with foreign investments.<sup>2</sup>

In addition to the above general grounds, the grounds for refusal in the state registration of markets are as follows:

- Failure to contribute 30% of the charter capital provided in the founding documents;
- Absence among the founders of a market of a local government body holding not less than 51 percent share in its charter capital.

A motivated decision on refusal in the state registration is made by a registering authority and handed to an applicant within 3 working hours from the moment of submission of the documents.

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<sup>3</sup> The enterprises with foreign investments, which are subject to state registration at the Ministry of Justice, include newly created enterprises, whose statutory fund is not less than the amount, equivalent to 150 thousand USD, providing that one of the participants is a foreign legal entity and the share of foreign investments in the enterprise is not less than 30 percents of the statutory fund of the enterprise. The newly created enterprises which do not meet the abovementioned requirements are not considered as the enterprises with foreign investments and are subject to state registration at the Inspections.

## SCHEME

### on the state registration and recordation of corporate business entities

Stages	Subjects	Actions	Time frame
1 <sup>st</sup> stage	Founders, the Chamber of Commerce and Industry, consulting firms or other persons	1. Prepare the required documents for the state registration of the subject of entrepreneurship 2. Develop the drafts of the constituent documents	At the discretion of the founders
2 <sup>nd</sup> stage	Founder, or the person, authorized by the founder in conformity with the legislation of the Republic of Uzbekistan	1. Submits the documents to the registering body for the state registration of the subject of entrepreneurship	At the discretion of the founders
3 <sup>rd</sup> stage	Responsible employee of the registering body	1. Examines the documents, submitted for the state registration of the subject of entrepreneurship	Not more than 3 work hours
4 <sup>th</sup> stage	Responsible employee of the registering body	1. Assigns LFO, FO, ISATF, NCSNE, NCEO - statistical codes to the subject of entrepreneurship 2. Sends a request to the district (city) STI on assignment of the taxpayer identification number 3. Issues the permission for making the seal and the stamp	
5 <sup>th</sup> stage	Responsible employee of the state tax service	1. Assigns TIN to the subject of entrepreneurship through the centralized base of TIN in real-time mode 2. Inserts corresponding record into the centralized base of TIN 3. Sends the certificate on TIN assignment to the responsible employee of the registering body by email or fax	Not more than 8 work hours
6 <sup>th</sup> stage	Responsible employee of the registering body	1. Inserts the information about the state registration of the subject of entrepreneurship into the State Register 2. Issues the certificate about the state registration and other documents	Not more than 2 working days after the documents are received
7 <sup>th</sup> stage	Responsible employee of the registering body	1. Presents the information from the State register and other documents to corresponding bodies of state administration	During 1 day after the state registration
8 <sup>th</sup> stage	Corresponding bodies of state administration	1. Perform the recordation of the subject of entrepreneurship, including as a payer of insurance fees to the extrabudgetary Pension fund, the Fund of promotion of employment and Road fund (for the subjects who are the payers of corresponding funds) 2. Inserts the subject of entrepreneurship to USREO 3. Performs the destruction of the seals and stamp	During 2 days after the documents are received

(See: SUPPLEMENT №2 to the Regulation on the notification-based procedure of the state registration and recordation of business entities)

## SCHEME

### on the state registration and recordation of individual entrepreneurs and dekhkan enterprises

Stages	Subjects	Actions	Time frame
1 <sup>st</sup> stage	Individual persons or the head of the dekhkan enterprise	1. Submits the documents to the registering body for the state registration of the subject of entrepreneurship	At the discretion of the individual persons or the head of the dekhkan enterprise
2 <sup>nd</sup> stage	Responsible employee of the registering body	1. Examines the conformance of the documents to the list of the documents	Not more than 3 work hours
3 <sup>rd</sup> stage	Responsible employee of the registering body	1. Sends a request to the district (city) STI on assignment of the taxpayer identification number by email or fax 2. Issues the permission for making the seal and the stamp	
4 <sup>th</sup> stage	Responsible employee of the state tax service	1. Assigns TIN to the subject of entrepreneurship through the centralized base of TIN in real-time mode 2. Inserts corresponding record into the centralized base of TIN 3. Sends the certificate on TIN assignment to the responsible employee of the registering body by email or fax	Not more than 8 work hours
5 <sup>th</sup> stage	Responsible employee of the registering body	1. Inserts the information about the state registration of the subject of entrepreneurship into the State Register 2. Issues the certificate about the state registration and other documents	Not more than 2 working days after the documents are received
6 <sup>th</sup> stage	Responsible employee of the registering body	1. Presents the information from the State register and other documents to corresponding bodies of state administration	During 1 day after the state registration
7 <sup>th</sup> stage	Corresponding bodies of state administration	1. Perform the recordation of the subject of entrepreneurship, including as a payer of insurance fees to the extrabudgetary Pension fund, the Fund of promotion of employment and Road fund (for the subjects who are the payers of corresponding funds)	During 2 days after the documents are received

(See: SUPPLEMENT №2a to the Regulation on the notification-based procedure of the state registration and recordation of business entities)



## **Chapter 2. Approval-based procedure of state registration of business entities (RCM № 357)**

### **§1. Approval-based state registration procedure**

Under the approval-based procedure of state registration via the “one window” approach, permissive documents, including technical conditions for connecting to engineering networks (gas-supply, power supply, water supply, canalization, heat supply, phone lines) required for construction and reconstruction of objects, and timely re-registration of living spaces into a nonliving spaces, are processed by authorized bodies and service organizations.

Due to the approval-based procedure not covering procedures of opening bank accounts and obtaining a license, and pursuant to the Resolution of the Cabinet of Ministers No.357, dated 20 August 2003, in order to begin its entrepreneurial activity a business entity must apply to a bank for opening necessary bank accounts (optional for individual entrepreneurs and dekhkan enterprises), and to authorized state agencies for a license (permit) required to carry out certain types of entrepreneurial activity in accordance with the legislation.

Also the approval-based procedure does not include performance of expert examination of project documentation and the procedure of registration in a district (city) department of land resources and state cadastre of the State Committee on land resources, geodesy, cartography and state cadastre<sup>4</sup>. To prepare the project documentation a business entity may choose a project organization of its own choice.

### **§2 Duration of the state registration**

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<sup>4</sup> See: clause 58 of the Regulation “On the procedure of state registration, recordation of business entities and processing of permissive documents”, approved by the Resolution of the Cabinet of Ministers No.357, dated 20 August 2003.  
See also: Annex 4 of the Resolution of the Cabinet of Ministers No.222, dated 29 July 2011.

Under the approval-based procedure the state registration of business entities accompanied by an issuance of the certificate of state registration is done within 7 days to one month from the date of submission of an application based on complexity and labour intensity of processing of technical conditions and other permissive documents.

### **Chapter 3. State registration and recordation of individual entrepreneurs (without formation of legal persons) importing goods for commercial activity (“Shuttle trader”) (RCM No.413, dated 02.09.2004)**

The state registration of individual persons that engage in importation of goods intended for commercial activity (commonly known as “shuttle traders”) as individual entrepreneurs (without formation of a legal person) is carried out by district (city) state tax inspections at the person’s place of residence. This registration procedure implies the applicant’s personal appearance.<sup>5</sup>

#### **§1. Business entities**

Only individual persons importing goods intended for commercial activity as an individual entrepreneur are subject to this registration procedure.

#### **§2. State registration procedure**

In order to be able to carry out their activity, individual entrepreneurs engaged in importation of goods must:

- undergo registration as participants of foreign economic relations at the Ministry of foreign economic relations, investments and trade of the Republic of Uzbekistan and customs authorities;

- open accounts in a commercial bank;

- formalize in the established manner a permit to perform export-import operations and retail trading;

- Obtain from the relevant tax authority a registration card of a participant of import operations.

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<sup>5</sup> See: item 2 of the Decree of the Cabinet of Ministers of the Republic of Uzbekistan “On the measures of regulation of the registration of individual persons, importing the goods intended for commercial activity” dated 12.08.2004, №387.

### **§3. Documents submitted by business entities to the state tax inspection for state registration as an individual entrepreneur (based on the applicant's appearance)**

An application has to be submitted to the state tax inspection for registration of an individual entrepreneur.

The followings need to be attached to the application:

Four 3x4 sized photographs;

A payment document confirming a payment of the state duty;

A certificate from a public self-management authority at the place of individual entrepreneur's residence;

Designs of the seal and stamp in three copies;

Passport shall be presented at the application's submission.

### **§4. Duration of the state registration of an individual entrepreneur at the state tax inspection**

Under the approval-based procedure the state registration of business entities accompanied by an issuance of the certificate of state registration is done within 7 days to one month from the date of submission of an application based on complexity and labour intensity of processing of technical conditions and other permissive documents.

The state registration of an individual entrepreneur engaged in importation of goods for commercial purposes with an issuance of the certificate of state registration, a card of completion of registration (permissive) procedures and a copy of a police permit to produce the stamp and seal is done within 7 days from the date of submission of the application and all necessary attachment documents.

A written motivated decision refusing state registration is issued within 7 days from the date of application.

### **§5. Registration procedures**

Within one month from the moment of state registration, an individual entrepreneur must:

undergo registration as participants of foreign economic relations at the Ministry of foreign economic relations, investments and trade of the Republic of Uzbekistan and customs authorities;

obtain from district (city) khokimiats a permit granting the right to engage in retail trading;

open a deposit account (on demand) in a commercial bank.

However, an individual entrepreneur should be aware that the certificate of state registration of an individual entrepreneur allows to carry out entrepreneurial activity only if the registration card of a participant of import operations that confirms passing through all required registration (permissive) procedures is also obtained.

### **Section 3. Appeal**

Protection of civil rights under an administrative framework is performed only in cases stipulated by the law. Also, pursuant to the Law of the Republic of Uzbekistan “On judicial appeal against actions and decisions violating rights and freedoms of citizens”<sup>6</sup> citizens have the right to appeal against actions (decisions) violating their rights and freedoms directly in courts or to the superior body or official.

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<sup>6</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1995, № 9, p. 183

## **Chapter 1. Appealing against decisions and actions of registering bodies to higher authority and other state bodies**

According to article 6 of the Law of the Republic of Uzbekistan “On public appeals”<sup>7</sup>, an appeal shall indicate last name (name, patronymic, name of a legal person, type of business structure etc.), information about the place of residence of a citizen (postal address for legal entities), subject matter of the application, proposals and complaints.

Appeals must be accepted and duly reviewed, except where written appeals fail to indicate last name (name, patronymic, name of a legal person, type of business structure etc.), information about the place of residence of a citizen (postal address for legal entities) or provide false information, or do not bear a signature, which regarded as anonymous and are not reviewed.

The applications, proposals and complaints are submitted directly to a state body, whose competence includes resolving issues raised, or to a higher (superior) authority by way of subordination.

An appeal to a higher authority can be submitted not later than one year from the moment it became known about the acts (omissions) or decisions violating the rights, freedoms and legitimate interests of an appellant.

An appeal wrongly submitted to a state body, whose competence does not include the raised issue, within five days period shall be transferred to an appropriate body with a corresponding notice to an appellant. The transfer without a reasonable cause or to state bodies and officials against whom the appeal is made is prohibited. If an appeal does not provide information necessary to transfer it to an appropriate body, it is returned to the appellant within the above period.

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<sup>7</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2003, № 1, p.

According to article 18 of the Law of the Republic of Uzbekistan “On public appeals”, appeals and complaints must be reviewed not later than one month from the day of their delivery to a state body responsible for resolving the matter, and for the matters that do not require additional investigation - not later than fifteen days.

In cases where review of an appeal requires additional investigation, additional information or other actions, duration of review can be extended on an exceptional basis by the head of a reviewing body, but not more than for one month and with a mandatory corresponding notice to an appellant.

Also, in case of a disagreement with decisions and acts (omissions) of the Inspections on registration of business entities and with other matters, the appellant may resort to corresponding territorial subdivisions of the Ministry of Justice. They, in turn, may take measures aiming at restoring violated rights of business entities, foreign investors and enterprises with foreign investments. Accordingly, the Ministry of Justice has the right to check the Inspections on registration of business entities for their compliance with the legislation on protection of rights of entrepreneurs, foreign investors and enterprises with foreign investments; to make recommendations, which are compulsory for execution within the established timeframes, to the directors on eliminating the detected violations of the legislation, reasons of the violation and contributory terms and about adoption of measures for restoration of the violated rights of the entrepreneurs, including the foreign investors and enterprises with foreign investments. It should be noted that the Ministry of Justice has also the right to suspend decision of state bodies, including the controlling and licensing agencies and local government authorities, as well as the acts (omissions) of their officials violating the rights of business entities, foreign investors and enterprises with foreign investments.

Besides, an appeal can be made to the prosecutor’s office in case of a disagreement with decisions and acts (omissions) of a state official. The prosecution authorities review appeals and complaints both from individuals and legal persons and take measures aimed at restoring their violated rights and protection of legal interests.

Submission of an appeal to higher (superior) authorities does not preclude from appealing to other state bodies, including to the court.



## **Chapter 2. Appealing against decisions and actions of the registering body in court**

Cases arising in the economic sphere from civil, administrative and other legal relations between legal persons, citizens engaged in entrepreneurial activity as individual entrepreneurs, are under a jurisdiction of the economic court.

It should be noted that according to article 24 of the Economic Procedure Code of the Republic of Uzbekistan<sup>8</sup>, the Economic court resolves, in particular, cases in relation to appeals against refusals in the state registration or non-registration within the established period.

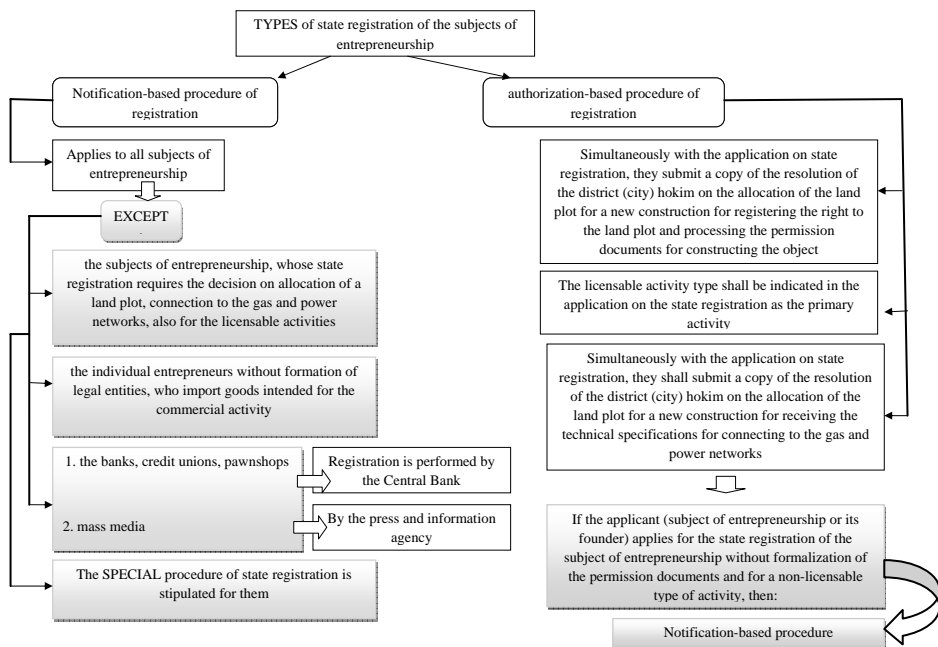
Appeal of decisions and actions of registering authorities to the economic court are carried out in conformity with the Economic Procedure Code of the Republic of Uzbekistan.

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<sup>8</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1997, № 9, p. 234.

# SCHEME

## Types of state registration of business entities



## PART II. Licensing of entrepreneurial activity

The types of entrepreneurial activity that are subject to licensing are defined by the legislation.

The licensing procedures of certain types of entrepreneurial activity, except where the law provides otherwise, are established by the Cabinet of Ministers of the Republic of Uzbekistan.

### **Article 13 of the Law of the Republic of Uzbekistan “On licensing various types of activities”<sup>9</sup>**

Licensing requirements and conditions, observance of which is compulsory to carry out licensable activities, are set by regulations on licensing various types of activities, which shall contain provisions on:

- mandatory observance of the legislation by the licensee;
- qualification requirements for persons seeking to engage in licensable activities, including special knowledge;
- requirements with regard to special conditions for carrying out licensable activities, including requirements with regard to used material and technical basis, equipment and other technical means.

Regulations on licensing various types of activities may provide additional licensing requirements and terms with regard to a particular licensed activity.

**Licensing** – is one of the methods of administrative regulation of entrepreneurial activity. Its application is permitted under the Civil Code of the Republic of Uzbekistan<sup>10</sup>.

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<sup>9</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2000, № 5-6, p. 140

<sup>10</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1996, supplement № 2

In modern world, under market economy conditions, ensuring existence of a proper business climate becomes one of the main tasks of the government. However, at the same time, it is necessary to ensure proper quality level of goods and services and protection of rights of entrepreneurs.

It is worth noting that licensable types of entrepreneurial activity are determined by legislative acts, whereas the licensing procedures of certain types of entrepreneurial activity, except where the law provides otherwise, are established by the Cabinet of Ministers of the Republic of Uzbekistan.

*(See article 5 of the Law of the Republic of Uzbekistan “On licensing various types of activities”<sup>11)</sup>)*

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<sup>11</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2000, № 5-6,

## **Section I. Licensing as one of the prerequisite conditions for carrying out certain types of entrepreneurial activity**

### **Chapter 1. General overview of licensing**

#### **§ 1. The nature of licensing**

**Licensing** - is a set of actions related to the submission and review of an application for the issuance, re-registration, suspension, termination and annulment of a license.

(See article 3 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

Licensing implies a wide range of actions related to the issuance of licenses, a special permit to perform a particular type of activity under certain mandatory established requirements and conditions (so called licensing requirements and terms).

A license is issued to the applicant (legal or individual person) by a licensing authority.

#### **§2. Legislative regulation of licensing**

Legislation on licensing (see article 2 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

##### **Main legislative acts regulating the licensing:**

1. The Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity”
2. The Law of the Republic of Uzbekistan “On licensing various types of activities”
3. Resolution of Oliy Majlis of the Republic of Uzbekistan №222-II “On the list of activities subject to a license”

4. Resolution of the Cabinet of Ministers of the Republic of Uzbekistan “On measures for realization of the Law of the Republic of Uzbekistan “On licensing various types of activities”.

In the Republic of Uzbekistan an extensive legislative base on issues pertaining to licensing has been formed, which ensures transparency in the question of obtaining licenses.

Article 53 of the Constitution of the Republic of Uzbekistan stipulates that the state guarantees the freedom of economic activity, entrepreneurship and labor with a priority of consumer rights, the equality and legal protection of all forms of ownership.

The civil legislation (article 41 of the Civil Code of the Republic of Uzbekistan) establishes that a legal entity can carry out certain types of activities, as determined in the legislative act (the Resolution of Oliy Majlis of the Republic of Uzbekistan №222-II “On the list activities subject to a license”), only by virtue of a special permit (license). The Civil Code does not contain any other norms directly regulating the licensing.

The issues of licensing particular types of activity are explicitly regulated by corresponding regulations that are, as a rule, approved by resolutions of the Cabinet of Ministers of the Republic of Uzbekistan.

### **§ 3. Determining licensable activities**

**The licensable activities are those activities, carrying out of which may cause damage to rights and legal interests, public health and security.**

(See article 7 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

A licensable activity is an activity that, in the absence of unified official standards, threatens to damage moral or physical health of citizens, public and state security.

The Law “On licensing various types of activities” subjects to the licensing those types of activities that may cause damage to rights and

legal interests, public health and security, and regulation of which other than by licensing methods is not possible.

It should also be noted that article 16 of the Law of the Republic of Uzbekistan “On licensing various types of activities” defines the maximum term (30 days) for review and issuance of a license in the Republic of Uzbekistan. On one hand it allows to perform careful analysis of documentation submitted by an applicant, and on the other hand it does not allow delaying this process.

It is suggested to distinguish the following three criteria, based on which it is determined whether an activity is subject to the licensing:

1) The activity is dangerous to an indefinite number of persons not involved in its performance;

2) The activity involves in its area an indefinite number of participants;

3) The activity is excessively profitable and is subject to higher tax and additional control.

The list of activities that are subject to a license is established in the Resolution of Oliy Majlis of the Republic of Uzbekistan “On the list of activities subject to a license”.

## **§4. State authorities carrying out issuance of licenses**

### **4.1. Licensing bodies**

**Licenses are issued by the sectorial state and economic regulation authorities and local state bodies.**

(See articles 5 and 6 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

The exhaustive list of licensable types of activity is provided in the Resolution of Oliy Majlis of the Republic of Uzbekistan № 222-II “On the list of activities subject to a license”.

Based on the type of license, the Cabinet of Ministers of the Republic of Uzbekistan determines appropriate licensing authorities

and licensing procedures. In most cases these are sectorial state and economic regulation authorities and local state bodies. For example, pursuant to the decree of the Cabinet of Ministers of the Republic of Uzbekistan № 91, dated 13 May 2010, licensing of pharmaceutical activity is carried out by the Ministry of Healthcare of the Republic of Uzbekistan.

However, for some types of licenses the law provides a different regulation of licensing. For example, in accordance with article 50 of the Law of the Republic of Uzbekistan “On central bank of the Republic of Uzbekistan”, registration of banks and credit unions, issuance of licenses to banks, credit unions, micro-credit organizations and lombards is carried out in the manner established by the Central bank.

As mentioned above, the list of licensing bodies is determined by the Decree of the Cabinet of Ministers "On measures for realization of the Law of the Republic of Uzbekistan “On licensing various types of activities" (DCM №236, dated 28.06.2002.).

## **4.2. Competence of licensing bodies**

The licensing bodies accept an application for a license with enlisted attachment documents; issue a copy of the document enlisting the submitted attachment documents with a note on the date of acceptance of the mentioned application and attachment documents; check the completeness and accuracy of the information about the applicant, as provided in the submitted application and documents, as well as test the applicant's ability to meet licensing requirements and conditions; in the established period take a decision on the issuance or refusal in the issuance of the license; notify the applicant about the taken decision; issue a document confirming entitlement to the license.

(See article 14 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

The legislation establishes the general competencies of licensing bodies:



- Licensing particular types of activity in accordance with the legislation;
- In cases stipulated by the law, approval of regulations on licensing certain types of activity;
- Control over the adherence by licensees to applicable licensing requirements and conditions;
- Reissuance of licenses;
- Suspension and renewal of licenses;
- Termination of licenses;
- Annulment of licenses;
- Maintenance of the register of issued licenses.

## Chapter 2. Licenses

### § 1. Obtaining a license

#### 1.1. Submission of application documents

**The application procedure defines the term, format of application, as well as the list of documents submitted to the appropriate licensing body by the applicant:**

The current unified application procedure regulates the terms, format of application, as well as the list of documents submitted to the appropriate licensing body by the applicant:

“1) an application for issuance of a license indicating: i) for legal persons - the name and the type of business structure of a legal person, its location (postal address), name of the bank and an account number in the bank; ii) for individual persons - first name, middle name, last name, details of an identification document confirming the identity of the person; iii) a licensable activity (or its part) that a legal or individual person intends to carry out, and iv) in cases stipulated by the legislation, the period, during which the indicated activity is to be carried out;

2) Notarized copy of the certificate of state registration of a legal entity – for legal persons; notarized copy of the certificate of state registration of an individual entrepreneur – for individual persons;

3) Proof of payment of the application fee;

4) Other documents confirming the applicant’s ability to meet licensing requirements and terms applicable to a license for a particular type of activity and which are determined by the legislation” (see article 14 of the Law of the Republic of Uzbekistan “On licensing various types of activities”).

The legislation prohibits demanding from the applicant the documents not provided in the Law “On licensing the particular types of activity” and by other legislative acts on licensing particular types of activity.

The documents are delivered to a licensing body by the applicant directly or via post service by registered mail. The documents directed to a corresponding licensing body for obtaining a license shall be accepted with enlisted attachment documents, a copy of which with a note on the date of acceptance of the mentioned application and attachment documents is provided to the applicant.

## **1.2. License acquisition procedure**

**The procedure of license acquisition implies a review of cases on a license issuance or its refusal.**

“The minimum time limits for taking decisions on issuance or refusal of issuance of a typical (simple) license may be established by regulations on licensing various types of activity.

In case of necessity, the licensing body may, at its own expense, contract experts for preparation of corresponding conclusions (opinions).

The licensing body must notify the applicant about the taken decision within three days from the date such decision was taken by that body.

A notification about the decision on the issuance of a license is sent (handed) to the applicant in written form with an indication of bank account requisites and the time limit for the payment of the state duty.

A notification about the refusal of the issuance of a license is sent (handed) to the applicant in written form with an indication of the reason for refusal and the time period, during which the applicant may submit the documents for reconsideration.

In case when the applicant eliminates the reasons which have caused the refusal of the license issuance, the reconsideration of the documents is performed by the licensing bodies within the period not exceeding ten days from the day of receipt of the application with all required documents. No fee is charged for the reconsideration of the application of the license applicant. Application, submitted after the expiration of such period is treated as newly submitted.

The license is issued upon submission by the applicant of a proof of payment of the state duty and upon signing the license agreement.

In case if the applicant within three months from date of notification on the issuance of a license fails to submit a proof of payment of the state duty or to execute the license agreement, the licensing body has the right to annul the license” (article 16 of the law of the Republic of Uzbekistan “On licensing various types of activities”).

### **1.3. License agreement**

**License agreement is the main document determining the rights and duties of the licensing body and the licensee.**

“License agreement is the document determining mutual rights and duties of the licensing body and the licensee.

The license agreement shall contain:

1) Last name, first name, middle name, position of persons signing the agreement;

2) Requisites of the parties;

3) Title of the activity, for which the license is being issued;

4) Licensing requirements and terms applicable to the licensee;

5) Term of validity of the license – for licenses issued for a limited term;

6) Liabilities of the parties for violation of terms and requirements of the license agreement;

7) The system of control by the licensing body over the observance by the licensee of the requirements and terms of the license agreement;

8) Other information in conformity with a regulation on licensing a particular type of activity.

A license agreement is made in two copies – one copy for a licensee and one copy for a licensing body” (article 19 Of the Law of the Republic of Uzbekistan “On licensing various types of activities”).

## 1.4. Refusal to issue license

**A refusal to issue a license is allowed only in cases established in article 17 of the Law of the Republic of Uzbekistan “On licensing various types of activities”.**

The following can be the grounds for refusal:

- Submission of inappropriately prepared documents by the applicant;
- The documents submitted by the applicant contain false or inaccurate information;
- Incompatibility of the applicant with the licensing requirements and terms, as well as with the terms of tender bidding.

Refusals based on other grounds, including based on inexpediency of a license issuance, are not allowed.

The applicant has the right to appeal in the manner established by the legislation against decision of the licensing body on the refusal of license issuance, and also against acts (omissions) of the licensing body's officials. *(For example, in conformity with paragraph 23 of the Regulation on licensing of real estate brokerage activity, approved by the Resolution of the Cabinet of Ministers № 129, dated 10 May 2011, in case of refusal of a license application, a notification on the refusal of the license issuance is sent (handed) to the applicant in written form indicating a specific reason for refusal and the time limit to cure the specified deficiencies before submitting the documents for reconsideration. The applicant is granted with not more than 30 days to eliminate the reasons of the refusal.*

## 1.5. Appeal

**All license applicants have the right to appeal against refusal by a licensing body to issue a license, and also against an action (omission) of the licensing body's official.**

Article 17 of the Law of the Republic of Uzbekistan “On licensing various types of activities” provides that an applicant (a person that is interested in obtaining a particular type of license) has the right to appeal in the manner established by the legislation against the licensing body’s (an agency in charge of issuing the license) refusal to issue the license, and also against an action (omission) of the licensing body’s official. Such right allows a business entity to protect its rights and interests against unlawful decisions of the licensing body.

## **§ 2. General overview of license validity**

**In the Republic of Uzbekistan a license is issued for a specific type of activity. The right to carry out a specific activity under a relevant license provides for a personified character of a license, which implies that the licensed activity can be carried out only by the license-holder (licensee).**

Representative and branch offices that are not legal persons within the meaning of article 47 of the Civil Code of the Republic of Uzbekistan are not allowed to obtain their own independent licenses. A license is a personified document, thus it is not transferable among legal or individual persons.

The right to carry out a specific activity under a relevant license provides for a personified character of a license, which implies that the licensed activity can be carried out only by the license-holder (licensee). Otherwise, in particular when the right to carry out specific activity under a relevant license is transferred to another person, the licensing loses any sense.

## **§ 3. Validity period of license**

As a rule, the license validity terms are established in licensing regulations: most often the term is 5 years. The option for an indefinite validity term is found, for example, in Regulations on licensing of veterinary activity, jewelry and lombards. The procedure for extending validity period of a license is concretized in relevant regulations on licensing.

(See article 12 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

#### **§ 4. License application fee**

**The application fee for each licensed activity is established by the Government of the Republic of Uzbekistan.**

(See article 15 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

The Law “On licensing various types of activity” establishes the general procedure that implies collection of fees for review by the licensing body of the application.

Accordingly, article 15 of the Law of the Republic of Uzbekistan “On licensing various types of activity” provides that the application fee for each licensed activity is established by the Cabinet of Ministers of the Republic of Uzbekistan.

However, in order to prevent an unreasonable overpricing of the fee rate, an ultimate limit (maximum amount) of the fee is established, provided it may not exceed five minimum wages, as established by the legislation.

Also, the above article provides that the application fee shall be transferred to the account of the licensing body. In case of renunciation by the applicant of its application, the application fee is not refunded.

As a matter of practice, application fees vary based on a license type. For example, the legislator sets the application fee for an attorney’s license in the amount of one minimal monthly wage, whereas the fee for pharmaceutical license equals five minimal monthly wages.

#### **§ 5. State duty and other expenditures**

**The state duty is a mandatory payment charged for the performance of legally significant actions and (or) issuance of documents by authorized institutions and (or) officials.**

(See article 326 of the Tax Code of the Republic of Uzbekistan)

The state duty is aimed to partially cover expenditures incurred in connection with the issuance of licenses in the Republic of Uzbekistan.

In accordance with article 326 of the Tax Code, the state duty is a mandatory payment charged for the performance of legally significant actions and (or) issuance of documents by authorized institutions and (or) officials. State duty rates are established by the Cabinet of Ministers of the Republic of Uzbekistan. In particular, they are established by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No.533 “On state duty rates”, dated 3 November 1994.

In this case, the duty is charged for the issuance of licenses and their renewal.

The size of the duty and its payment procedure for the issuance and renewal of a license also defined by the Cabinet of Ministers of the Republic of Uzbekistan.

Please note that reduced duty rates for the issuance and renewal of a license may apply with regard to a part of the licensed activity.



## **Chapter 3. Suspension, termination and annulment of license**

### **§ 1. Terms of suspension of license**

(See article 22 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

**Suspension of the license is possible only in cases stipulated by article 22 of the Law of the Republic of Uzbekistan “On licensing various types of activities”.**

The suspension is an optional and facultative stage of licensing and applied by the licensing bodies in case of a decision on suspension of the license due to violation of license requirements and terms.

In order to ensure legal protection of business entities, the Decree of the President of the Republic of Uzbekistan No.3619 “On measures of further improvement of the system of legal protection of business entities”, dated 14 June 2005, establishes that suspension of a license for the period of more than ten working days or termination and annulment of a license (permit) for a particular type of business activity (except for the licenses issued by the Cabinet of Ministers and Central Bank of the Republic of Uzbekistan) is made only based on a court decision.

Article 23 of the Law of the Republic of Uzbekistan “On licensing various types of activity” clearly provides for instances when a license shall be suspended.

As mentioned above, the main ground for suspension is a revealed violation by the license-holder of license requirements and terms provided in the license agreement, or a failure by the license-holder to cure revealed violations as prescribed by the licensing body.

Suspension of a license is carried out by a licensing body or a court. A license can be suspended by the licensing body for a period not exceeding ten working days, and the suspension by the court – for a term exceeding ten working days.

It is required that the licensing body's decision on suspension of a license is delivered to the licensee in written form not later than three days from the date of the decision. Such decision by the court shall be delivered to the licensee and the licensing body within the period established by the legislation.

Also, it is mandatory for the licensing body or the court to establish a grace period for elimination of circumstances that resulted in the suspension of a license. However, the period established by the court decision cannot exceed six months.

In case of elimination by the license-holder of circumstances that resulted in the suspension of a license, the licensing body or the court that took the suspension decision must decide on renewal of the license within ten days from the date of receipt of the confirmation about the elimination of the specified circumstances.

The licensing body's decision on suspension of the license can be appealed in the court. If the court finds the suspension invalid, the licensing body shall be liable to the license-holder for the inflicted damage.

For timely and easy access to information – the information on suspension and renewal of the license is subject to publication in mass media.

## **§ 2. Terms of termination of license**

(See article 23 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

**The ground for termination of a license is the licensee's request to terminate the license, as well as a gross violation of licensing requirements and terms by the licensee, which, in itself, is a liability measure for violations committed.**

Termination of a license occurs in cases of:

- 1) submission by the licensee a request for termination;
- 2) liquidation of a legal person – from the moment of liquidation or termination of its activity as a result of reorganization – from the moment of reorganization, except for its transformation;

3) Termination of the certificate of state registration of an individual entrepreneur;

4) Limitation in the established manner of legal capacity of an individual entrepreneur or declaration of its legal incapability. This is outlined in more detail in chapter 33 (article 291 - 297) of the Civil procedure Code of the Republic of Uzbekistan (“Declaration of limited or completed legal incapability of a citizen.”).

5) License-holder’s systematic or one-time gross violation of license requirements and terms provided in the license agreement;

6) Failure by the license-holder to eliminate within the period established by the licensing body the circumstances that resulted in suspension of the license;

7) Determination of the illegality of the licensing body’s decision on the issuance of the license;

8) Termination of the validity period of the license.

Termination of the license is made upon the licensing body’s decision, except for the cases stipulated in items 5-7.

Termination of licenses in cases specified in 5-7 is done through a judiciary, except for the cases established by the legislation.

The decision of the licensing body on termination of the license is delivered to the license-holder in written form not later than three days from the day of its adoption. The court decision on termination of the license is delivered to the license-holder and the licensing body within the period established by the legislation. Within ten days from the day of receipt by the license-holder of the decision on termination, the license must be returned to the licensing body and is subject to liquidation.

The information about termination of the license is subject to publication in mass media.

The license is terminated from the date of the decision on termination.

The licensing body’s decision on suspension of the license can be appealed in the court. If the court finds the suspension invalid, the licensing body shall be liable to the license-holder for the inflicted damage.

### **§ 3. Annulment of license**

(See article 24 of the Law of the Republic of Uzbekistan “On licensing various types of activities”)

**The annulment of a license is permitted only in cases provided in article 24 of the Law of the Republic of Uzbekistan “On licensing various types of activities”.**

A license can be annulled in the following cases:

1) If the license-holder within three months from date of notification on the issuance of a license fails to submit a proof of payment of the state duty or to execute the license agreement; the annulment of the license is made upon the licensing body's decision;

2) In case of request for annulment of the license by the license-holder; the annulment of the is made upon the licensing body's decision;

3) If it is proved that the license was obtained based on forged documents. In this case, the annulment is made upon the court decision.

The decision of the licensing body on annulment of the license is delivered to the license-holder in written form not later than three days from the day of its adoption. The court decision on annulment of the license is delivered to the license-holder and the licensing body within the period established by the legislation. Within ten days from the day of receipt by the license-holder of the decision on annulment, the license must be returned to the licensing body and is subject to liquidation.

The information about the annulment of the license is subject to publication in mass media.

The license is deemed annulled from the moment of issuance of the license annulment decision.

The licensing body's decision on annulment of the license can be appealed in court. If the court finds the annulment invalid, the licensing body shall be liable to the license-holder for the inflicted damage.

## **Chapter 4. Control over the compliance with applicable licensing requirements and terms**

**The control over the compliance with licensing requirements and terms is an integral part of the security of civil rights.**

Licensing bodies, when carrying out the control over the compliance with licensing requirements and terms, shall have the right to:

- In the manner established by the legislation, perform scheduled inspections to check the adherence by the licensee to licensing requirements and terms<sup>12</sup>;
- In the manner established by the legislation, perform unscheduled inspections to check the adherence by the licensee to licensing requirements and terms, provided there are facts testifying to their violation by the licensee;
- Receive information on the compliance with the licensing requirements and terms; licensing requirements and terms, as applied to the licensee, are provided in the license agreement. In other words, licensing bodies have the right to require information regarding the adherence by the licensee to license requirements and terms only within the terms of the license agreement, because the license agreement defines the reciprocal rights and obligations of the licensing body and the licensee.
- Based on results of the inspections, to issue acts (certificates) indicating specific violations of licensing requirements and terms by the licensee;
- Take decisions requiring the licensee to eliminate the revealed violations; establish time frames for elimination of such violations;
- Suspend or terminate the license.

Licensing bodies may have other authorities in accordance with the legislation.

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<sup>12</sup> See: Part IV “Inspection of the activity of the subjects of entrepreneurship” of this brochure.

Controlling and law enforcement bodies within their competence must inform the licensing body about the revealed violations.

## **Chapter 5. Appeal**

### **§1. Procedure of appealing against refusal to issue license**

An applicant for a license has the right to appeal against the licensing body's refusal to issuance the license, and also against the act (omission) of its official in the administrative procedure, i.e. appeal to a higher authority or in court.

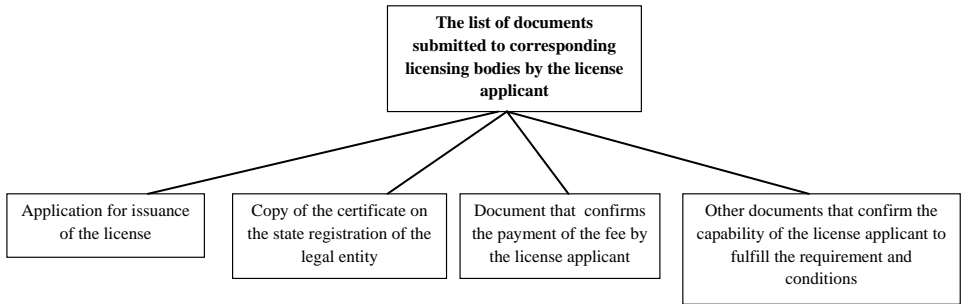
### **§2. Procedure of appealing against suspension, termination and annulment of license**

**The licensing body's decision on suspension, termination and annulment of the license can be appealed in court.**

The licensing body's decision on suspension, termination and annulment of the license can be appealed in court.

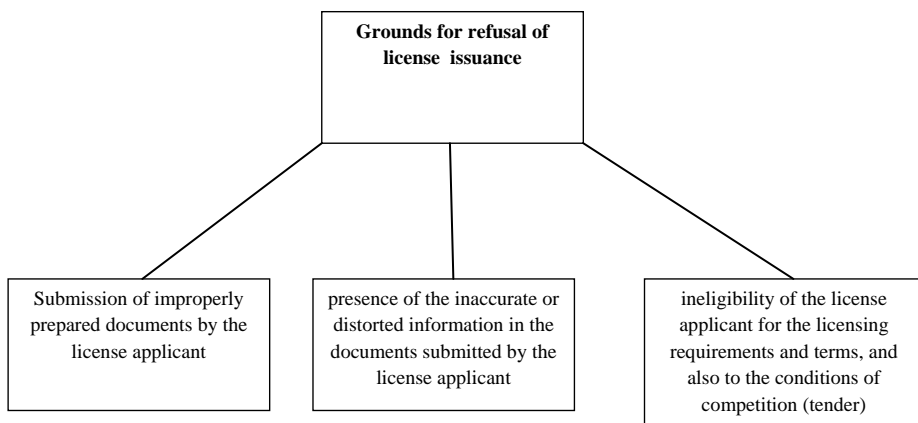
If the court finds the decision invalid, the licensing body shall be liable to the license-holder for the inflicted damage.

## **SCHEMES**

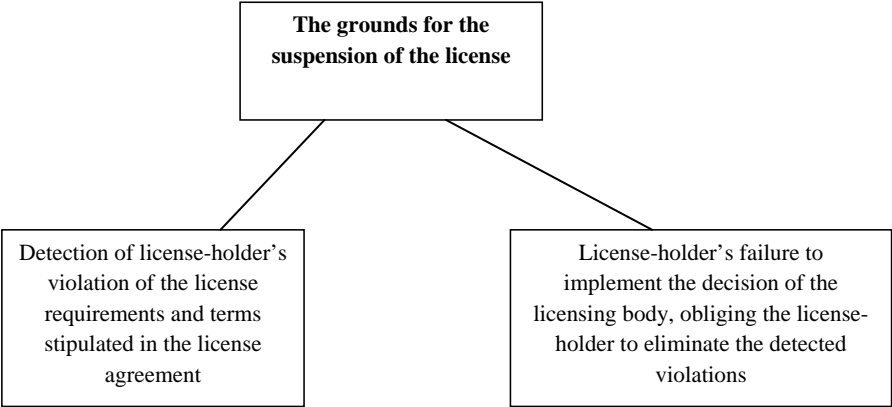


(Scheme: The list of the documents submitted to the licensing body)

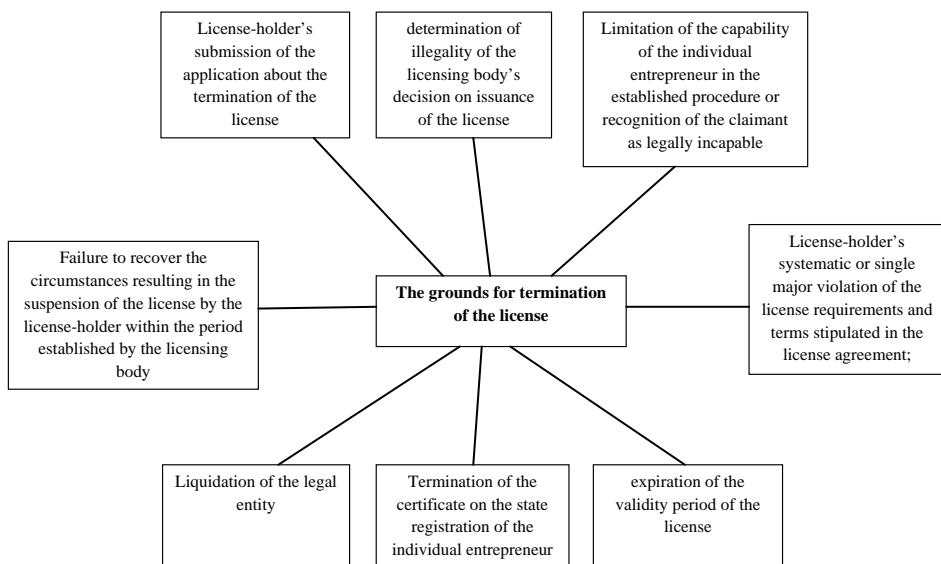




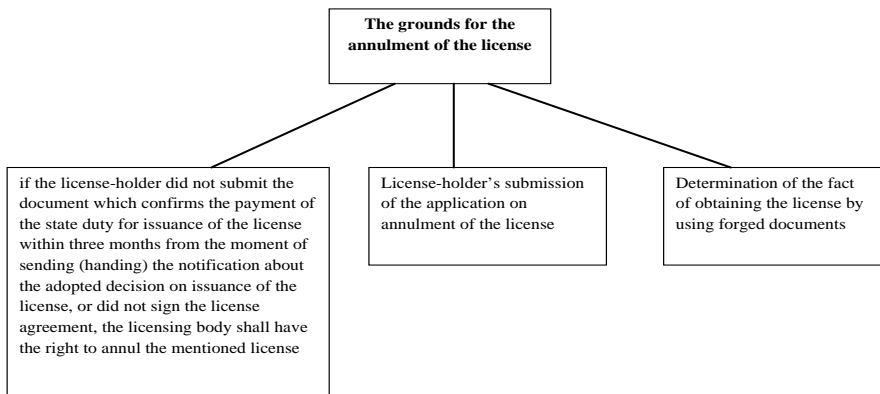
(Scheme: The grounds for refusal to issue a license)



(SCHEME: The grounds for suspension of a license)



(Scheme: The grounds for termination of a license)



(Scheme: The grounds for annulment of a license)

**National emblem of the Republic of Uzbekistan**  
**TASHKENT CITY KHOKIMIYAT**

**LICENSE**

This license permits the Joint stock company “Lochin-D”, registered by the  
(full name of the licensee)  
decision of Hamza district khokimiat of Tashkent city № 156, dated May 2001  
to carry out sale of gasoline.

(Sale of gasoline, diesel fuel, oils and etc)

though “Lochin” gas station, at 5 Ogahiy street, Tashkent city

(full name of the fuel station)

On the basis of the decision of the Tashkent city khokimiat decision № 14,  
dated April “15”, 2003. Location (postal address) of the licensee: Tashkent  
city, Ashrafiy street, 125

Taxpayer identification number of the licensee: **203361034**

Date of issuance of the license: **April “16”, 2003.**

Validity period of the license: **Five years**

Index number in the register: **001**

**Authorized person:**

CORPORATE SEAL

\_\_\_\_\_

(full name)

\_\_\_\_\_

(signature)

**Validity period of the  
license is prolonged till**

**Authorized person:**

CORPORATE SEAL

\_\_\_\_\_

(full name)

\_\_\_\_\_

(signature)

**Validity period of the  
license is prolonged till**

**Authorized person:**

CORPORATE SEAL

\_\_\_\_\_

(FULL NAME)

\_\_\_\_\_

(signature)

ANNEX № 4 of the decree of the Cabinet of Ministers, dated June 28,  
2003 № 289)

## PART III. REPORTING

### **Article 17 of the Law of the Republic of Uzbekistan "On the guarantees of freedom of entrepreneurial activity"**

Business entities shall keep record and reporting in conformity with the legislation.

Small enterprises shall report only to state statistics and tax bodies in established formats.

It is prohibited for state bodies and local authorities to impose on business entities additional reporting requirements that are not envisaged by the legislation.

To ensure greater protection of business entities and to prevent unreasonable interference with their activity, the above article prohibits imposition of additional reporting requirements that are not envisaged by the legislation.

It should be noted that requiring statistics reports and other documents not envisaged by the legislation, or demanding of valid reporting but in violation of established timeframes, as well as other restriction of independency of a business entity or other illegal interference with its activity, is subject to administrative responsibility.

See article 241<sup>1</sup> of the Code of the Republic of Uzbekistan on administrative responsibility.

There can be traced a positive trend towards the reduction of reporting requirements. Accordingly, the governmental resolution № 65 "On measures of reduction and improvement of reporting requirements for small business enterprises" was adopted in 2000. Particularly, it is established that small enterprises, microfirms shall be subject only to quarterly reports to local state statistics and tax

authorities in format established by them. Imposition on microfirms and small enterprises of monthly reporting is not permitted.

## **Section I. Reporting**

### **Chapter 1. Reporting: Types, preparation and submission**

#### **§ 1. Types of reporting**

**One of the general preconditions of entrepreneurial activity is submission of statistical, financial and tax reporting.**

Reporting is one of the mechanisms of control over the activity of business entities. Submission of statistical, financial and tax reportings is a general precondition of entrepreneurial activity. Also, based on a type of activity, the legislation prescribes specific types of reporting. Accordingly, for example, the order of the minister of finance of the Republic of Uzbekistan (reg. № 1945, dated 20.04.2009)<sup>13</sup> approved the forms of financial reporting of insurers and the rules for filling out such forms, or the Procedure of reporting of the activities related to circulation of narcotics, psychotropic substances and precursors in the Republic of Uzbekistan, approved by the governmental resolution № 6, dated 8 January 2009.

#### **1.1. Statistical reporting**

##### **1.1.1. State statistics authorities**

**The state statistics body and its local bodies in the Republic of Karakalpakstan, regions and Tashkent city, districts and cities, are the authorized state statistics authority.**

**Where necessary, the statistics bodies may assume the function of an information source for state bodies and local public authorities, legal persons, state institutions and international organizations.**

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<sup>13</sup> Collection of Legislation of the Republic of Uzbekistan, 2009, № 17, p. 217



The state statistics body and its bodies in the Republic of Karakalpakstan, regions and Tashkent city, in the districts and cities, are the authorized state statistics authority.

The current Law of the Republic of Uzbekistan “On state statistics”<sup>14</sup> regulates the area of organization of the state statistics, defines the competence of state statistics bodies and provides a legislative basis for maintaining the unified system of statistical information.

### **1.1.2. Main tasks of state statistics authorities**

“The main tasks of state statistics authorities are:

1) Collecting, processing, accumulating, storing, summarizing, analysis and publishing of the statistical information on social and economic events, processes and their results;

2) Providing the unified statistical methodology in compliance with international standards;

3) Providing state bodies and local public authorities, legal persons, state institutions and international organizations, and general public, with statistical information in the established manner;

4) Maintaining the system of economic and statistical classifiers necessary for organization of statistical works and the Unified state register (article 3 of the Law of the Republic of Uzbekistan “On state statistics”).

The possibility of obtaining the statistical information from the statistics bodies allows state bodies and entrepreneurs to receive required information during inspections and economic activity respectively.

Also, it should be noted that article 215 of the Code of the Republic of Uzbekistan on administrative responsibility establishes responsibility for violation of the submission procedure of the information about the occurrence of tax obligations.

The attached herein is the reporting form on financial state of an enterprise (Resolution of the State committee of the Republic of

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<sup>14</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2002, № 12, p. 219

Uzbekistan on statistics “On approval of state statistics reporting forms for 2010 – annex № 9”).

## **STATE STATISTICS REPORTING**

Finance, customs and tax bodies, banks and other agencies and institutions, as well as legal persons, their representative offices and branches, individual persons, including individual entrepreneurs, submit to the state statistics bodies on a pro-bono basis the statistics reports, departmental records and other data required to carry out statistical works, the data (at any stage of its development), as well as attached clarifications.

The statistical data must be accurate and shall be submitted in the established volumes, within the timeframes and in the forms in compliance with programs of state statistical supervision.

The norms established by the legislation, which regulate the accounting, financial and other reporting serve as the ground for filling the statistical documents (record of statistical indicators).

It should be noted that the State Committee of the Republic of Uzbekistan on statistics carries out control over the adherence by business entities, irrespective of their type of business ownership, of the current legislation on state statistics, over the timeliness, completeness and accuracy of submitted statistical information. In cases of revealed violations, it can initiate an action on bringing the violators to responsibility, including criminal liability.

## STATE STATISTICS REPORTING

The violation of the state statistics submission procedure by failing to submit reports and other data required to carry out the state statistical supervision, forging the reported data or violation of the submission deadlines shall entail responsibility established in article 215 of the Code of the Republic of Uzbekistan on administrative responsibility.

Submit	Submission period	Form 5-F
Legal persons and their independent subsidiaries (except for budget organizations, small enterprises and micro-firms, dekhkan and farm enterprises) - To statistics department (of district, city) at its location	Not later than 18th day of the month, following the reporting period	<i>Monthly</i>
The confidentiality shall be guaranteed by the receiver of the information		

Name of the reporting entity		Codes	
			NCEO
Postal address:			TIN
			ISATF
			NCSNE

**REPORT  
ON FINANCIAL STATE OF THE ENTERPRISE**

As of 1 \_\_\_\_\_ 20 \_\_\_\_\_

State share in the charter fund (capital), in %  
010 \_\_\_\_\_

Indicators	Code	As of the end of the reporting period with cumulative results from the beginning of the year)	
		profit	loss
A	B	1	2
Profit (loss) before profit tax	020		
Profit (loss) before profit tax for the corresponding period of last year	030		

	Line code	Total	Including the expired debts	Debts outside of the republic and occurred due to reasons outside of control of an enterprise	
				(from the column 1) Total	(from the column 2) Including the expired debts
A	B	1	2	3	4
Accounts receivable – total (041+042+043+044+045)	040				
Among them:					
Customs and clients	041				
Advances given to the suppliers and contractor	042				
Advance tax and levy payments to the budget	043		x.	x.	x.
Debts of subsidiary and dependent business entities	044				
Other accounts receivable	045				
From the line 040: Debt postponed by the decision of the government	046		x.		x.
Creditor indebtedness – total (051+052+053+054+055+056+056.1)	050				
Among them:					
To the suppliers and contractors	051				
Received advances	052				
Debts on payments to the	053				

budget					
Debts on payments for labor	054				
Debts on the payments to the state special-purpose funds	055				
Debts of subsidiary and dependent business entities	056				
Other creditor indebtedness	056.1				
From the line 050: Debt postponed by the decision of the government	057		x.		x.

Section 1. Financial results

thousand sums

Section 2. Accounts receivable and accounts payable

	Line code	Total	Including by the time of accrual			
			up to 3-x months	From 3 to 6 months	From 6 months up to 1 year	More than 1 year
A	B	1	2	3	4	5
Debit	060					
Credit	070					

thousand sums

(line-040, column-2 and line-050, column-2 shall be transcribed)

thousand sums



**Section 3. Status of settlements between the economic entities of the Republic of Uzbekistan and foreign countries**  
 (to be filled in 1 January, 1 April, 1 July, and 1 October)

thousand sum

	Line code	Proceeds from realization of products (goods, labor and services), including the VAT and excise taxes	Debits - total				Including the expired debts			On received loans and bank credits		
			Debit		Credit		Total	Among them: Buyers and customers and the advance payments, issued to the suppliers and contractors	Total	Among them: Buyers and customers and the advance payments, received from the suppliers and contractors	Total	Including the expired debts
			Total	Among them: Buyers and customers and the advance payments, issued to the suppliers and contractors	Total	Among them: Buyers and customers and the advance payments, received from the suppliers and contractors						
A	B	1	2	3	4	5	6	7	8	9	10	11
Total (sum of the lines from 081 to 096)	080											
Including: Uzbekistan	081											
Azerbaijan	082											
Armenia	083											
Belarus	085											
Kazakhstan	086											

	Line code	Proceeds from realization of products (goods, labor and services), including the VAT and excise taxes	Debits - total				Including the expired debts				On received loans and bank credits	
			Debit		Credit		Total	Among them: Buyers and customers and the advance payments, issued to the suppliers and contractors	Total	Among them: Buyers and customers and the advance payments, received from the suppliers and contractors	Total	Including the expired debts
			Total	Among them: Buyers and customers and the advance payments, issued to the suppliers and contractors	Total	Among them: Buyers and customers and the advance payments, received from the suppliers and contractors						
A	B	1	2	3	4	5	6	7	8	9	10	11
Kyrgyzstan	087											
Moldova	088											
Russia	089											
Tajikistan	090											
Turkmenistan	091											
Ukraine	092											
Other countries - total	096											

**Section 4. Production supplies and incomplete production\***  
**thousand sums**

	Line code	At the beginning of the year	For the end of the report period
<b>A</b>	<b>B</b>	<b>1</b>	<b>2</b>
Productive supplies – total (101+102+103+104+105+106)	100		
Including:			
raw and other materials	101		
Fuel	102		
Construction materials	103		
Seeds and food	104		
rearers and fatteners	105		
Others	106		
Incomplete production	107		

(to be filled on 1 January, 1 April, 1 July, and 1 October)

Note: If the data indicated in the report significantly differs from the data submitted in the previous period - clarify the reason

**200\_year**

«\_»\_\_\_\_\_

PLA  
CE OF  
SEAL

Director

\_\_\_\_\_  
(FULL  
NAME)

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(contact  
telephone)

Official,  
responsible for  
the preparation  
of the reporting

\_\_\_\_\_  
(position)

\_\_\_\_\_  
(FULL  
NAME)

\_\_\_\_\_  
(signature)

## **INSTRUCTIONS FOR FILLING THE FORMS**

The report is submitted by entities and organizations of all types of ownership (except for micro-firms, small enterprises, budget organizations, farm and dekhkan enterprises).

Agricultural enterprises producing goods submit annual reports only.

Sections 2, 3, 4 do not apply to banks and insurance organizations.

The line 010 "State share in the charter fund (capital)" is filled in with the percentage of the stock (share) size owned by the government in the charter fund (capital) of an enterprise and organization.

Indicators of profit, debt, production reserves and incomplete production are filled similarly to the Rules of filling the forms of financial reporting # 1 "Accounting balance sheet", #2 "Report on financial results" and #2-a "Certificate on accounts receivable and accounts payable" which are approved by the order of the Ministry of finance of the Republic of Uzbekistan No.140 "On approval of financial reporting forms and rules for their completion", dated 27 December 2002.

## **1.2. Financial reporting**

### **1.2.1. The nature of financial reporting**

**Financial reporting includes the accounting balance sheet, report on financial results, report on the movement of capital, report on monetary flows, report on equity capital, notes, calculations and explanations.**

In the Republic of Uzbekistan, the financial reporting is regulated by a number of legislative acts, including article 16 of the Law of the Republic of Uzbekistan “On accounting”. This article provides a list of documents that need to be included in the financial reporting.

Thus, for example, the financial reporting contains:

- 1) Accounting balance sheet;
- 2) Report on financial results;
- 3) Report on the movement of capital;
- 4) Report on monetary flows, report on equity capital;
- 5) Notes, calculations and explanations.

### **1.2.2. Procedure for submission of the financial reporting**

In conformity with article 19 of the Law of the Republic of Uzbekistan “On accounting”, the financial reporting is submitted to:

- tax bodies;
- owners, in accordance with founding documents;
- state statistics bodies;
- other bodies in accordance with the legislation.

The financial reporting shall be submitted quarterly with cumulative results from the beginning of the reporting year.

Budget institutions submit quarterly and annual reports to higher authorities.

The timeframes for submission of the financial reporting are established by the Ministry of finance of the Republic of Uzbekistan. Also, it is established that the financial reporting of small and private

enterprises shall be made in a simplified format in conformity with the National standards of accounting of the Republic of Uzbekistan “On the procedure of simplified accounting and reporting of small enterprises” (NSA #20) (reg. No.879, dated 24. 01.2000).

The above standard determines the procedure of accounting and reporting for small enterprises. Also, it is defined that the standard applies to entities that are deemed small enterprises pursuant to criteria established by the legislation.

However, the Law provides that the structure and content of the financial reporting shall be determined by the order of the Ministry of finance of the Republic of Uzbekistan “On approval of financial reporting forms and rules for their completion” (reg. No.1209, dated 24. 01. 2003)

In particular, the forms of financial reporting shall include:

1. Accounting balance sheet
2. Report on financial results
3. Report on movement of capital
4. Report on monetary flows
5. Report on equity capital
6. Certificate on accounts receivable and payable.

“The annual financial reporting of entities is open and available to interested banks, exchanges, investors, creditors and others.

Open joint-stock companies, insurance companies, banks, stock and commodity exchanges, investment funds and other financial institutions must annually publish financial reports upon approval by the auditors of their accuracy, but not later than 1st May following the reporting year” (article 20 of the Law of the Republic of Uzbekistan "On accounting").

### **1.3. The nature of tax reporting**

We remind that preparation of the financial and tax reporting is one of the obligations of a taxpayer.

“The tax report is a taxpayer document, which contains calculations and tax declarations for each tax and other mandatory payment or distributed profits, as well as attachments thereto, shall be drafted in a

format, approved by the State Tax Committee of the Republic of Uzbekistan and the Ministry of Finance of the Republic of Uzbekistan.” (Article 43 of the Tax Code of the Republic of Uzbekistan).

Chapter 7 of the Tax Code of the Republic of Uzbekistan sets main requirements with regard to the tax reporting

### **1.3.1. Preparation of financial reports**

“The tax report shall be paper-based and (or) as an electronic document in compliance with requirements applicable to an electronic document.

The tax report must be signed by the taxpayer and, in case if it is a legal person, affixed with its corporate seal. A tax report submitted as an electronic document shall be endorsed with an electronic digital signature of taxpayer. This reporting format is very convenient and economically efficient for entrepreneurs. The ability to send reports as an electronic document via email eliminates the necessity for business entities to visit and deliver their reports to the corresponding state bodies in person.

During reorganization or liquidation of a legal person, separate tax reports shall be prepared for each reorganized or liquidated taxpayer from the beginning of the reporting period up to the date of completion of reorganization or liquidation on the basis of the transfer act, separation balance sheet or liquidation balance-sheet respectively. The mentioned reporting shall be submitted within the period of three working days from the day of approval of the transfer act, separation balance sheet or liquidation balance sheet. These provisions do not apply to legal persons, reorganized by way of transformation and also by accedence of another legal person.

In case of voluntary liquidation of a legal person, a separate tax report is prepared for it from the beginning of the reporting period until the date of notification of the state registering body about the beginning of the liquidation procedure.

Taxpayer bears responsibility for accuracy of information provided in the tax report” (article 44 of the Tax Code of the Republic of Uzbekistan).

### **1.3.2. Procedure of submission of the tax reporting**

“The tax reporting shall be made by the taxpayer within the period established by the Tax Code (for example, the calculation of the unified tax payment is submitted by microfirms and small enterprises quarterly not later than the 25<sup>th</sup> day of the month following the reporting period, and annually – within the period of submission of the annual financial report. Those entities that are neither microfirms nor small enterprises are subject to monthly (not later the 25<sup>th</sup> day of the month following the reporting period) and annual (within the period of submission of the financial report) submission of the above calculation.

The tax report is submitted to a local state tax authority at the place of taxpayer’s registration. In cases established in the Tax Code, the tax reporting for particular types of taxes is made by the taxpayer at the place of registration of objects.

Individual persons shall submit the tax declaration to a local state tax authority at the place of his/her residence.

Taxpayers are allowed to submit tax reports at their discretion either:

- in person;
- by registered mail;
- via telecommunication channels in the form of an electronic document.

The date of submission of the tax report to the state tax authority is:

- the date of receipt of the tax report by the state tax authority, if submitted in person;
- the date of shipment by the post service indicated on its postmark, if submitted by registered mail;
- the date of receipt of an electronic document by the state tax authority, if submitted as an electronic document.

The state tax authority has no right to refuse to accept the tax report submitted in person and upon request by the taxpayer must put a note on a copy of the tax report regarding the date of its receipt.

If the report is received via telecommunication channels as an electronic document the state tax authority must send to the taxpayer an electronic confirmation of its receipt.



Tax reports shall be accepted without any preliminary cameral control and without discussion of their content.

The tax report is deemed not submitted to the state tax authority, if:

1) it misses the taxpayer identification number or it is incorrectly provided;

2) it fails to indicate the tax period and (or) amount of tax or other mandatory payment;

3) tax report preparation requirements, established in articles 43 and 44 of the Tax Code of the Republic of Uzbekistan, are violated.

If the tax report is submitted in a wrong format, the tax authority shall within three days from the date of its receipt send a written notification about it to the taxpayer and return it for fixing with relevant remarks.

In case of submission of the corrected tax report before expiration of the submission period, the taxpayer shall not become subject to any liability” (article 45 of the Tax Code of the Republic of Uzbekistan).

### **1.3.3. Submission of corrected tax report**

“A taxpayer that has independently detected mistakes related to the period, for which a tax report was already submitted to the tax authorities, has the right to submit a corrected tax report for the same period within the period of limitation for tax liabilities, as established in article 38 of the Tax Code. This provision does not apply if the corrected tax report, which implies a reduction of the tax amount and other mandatory payments, is submitted for the period that was already inspected by the tax authority under its inspection of financial and economic activity (revision).

The corrected report must provide information about earlier submitted reports, corrected data and their deviation.

If the amount of applicable tax or other mandatory payment in the corrected tax report exceeds the amount of tax or other mandatory payment applied and paid under a previously submitted tax report, such difference is added to the relevant tax liability with accrued penalties.

If the amount of applicable tax or other mandatory payment in the corrected tax report is less than the amount of tax or other mandatory

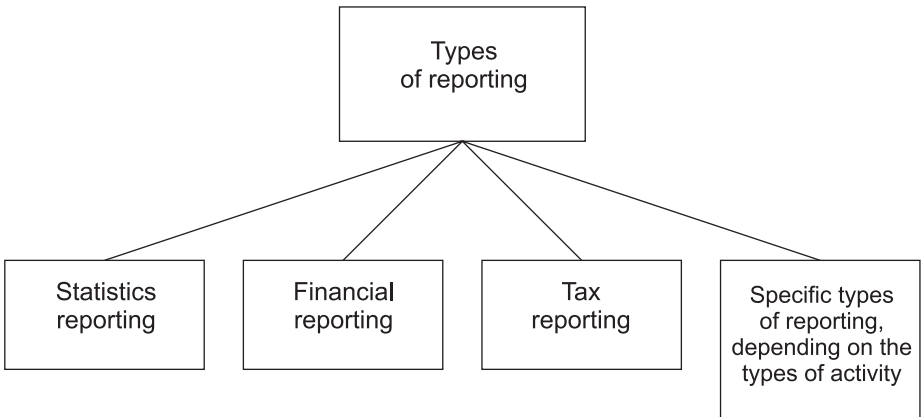
payment applied and paid under a previously submitted tax report, such reduction of tax amount or other mandatory payments shall be indicated in the ledger card as of the day of submission of the corrected tax report. The overpaid amount of taxes, other mandatory payments, penalties are subject to offsetting or return in the manner established by the Tax Code” (article 46 of the Tax Code of the Republic of Uzbekistan).

#### **1.3.4. Storage period of tax reporting**

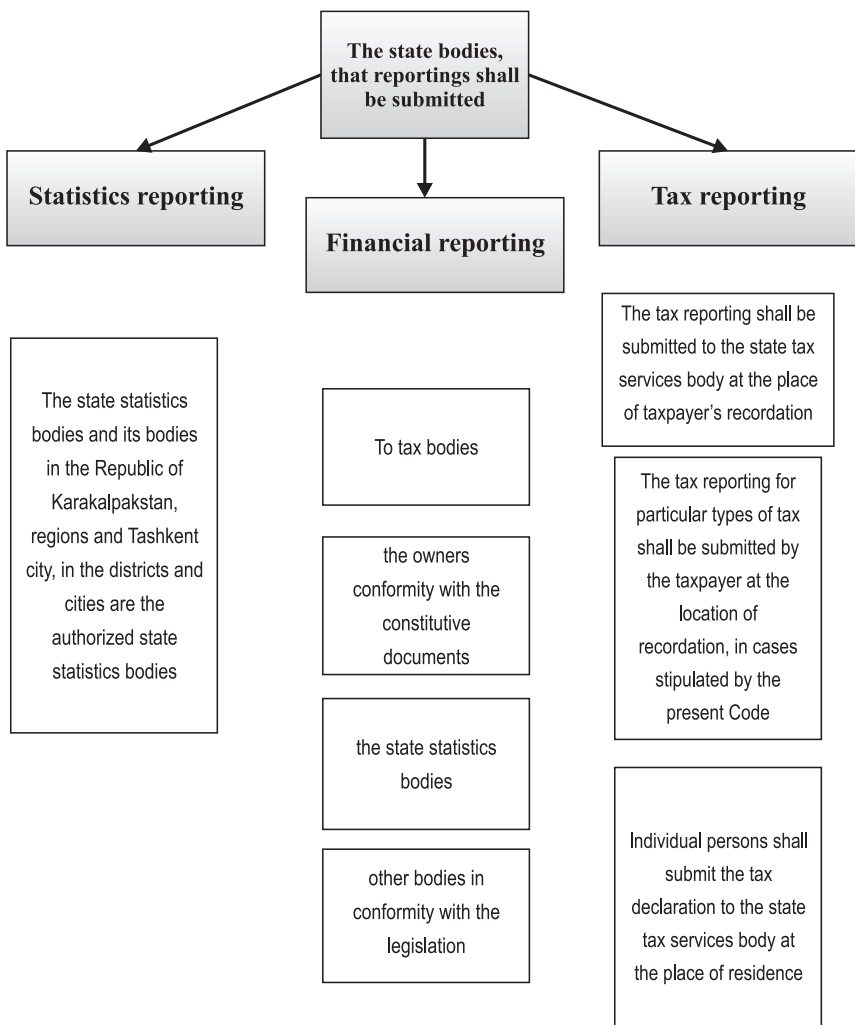
“Tax reports are kept by the tax authorities and a taxpayer within the period of limitation for tax liabilities, as provided in article 38 of the Tax Code of the Republic of Uzbekistan” (article 47 of the Tax Code of the Republic of Uzbekistan).

Accordingly, the tax reporting forms are approved by the resolution of the Ministry of Finance of the Republic of Uzbekistan and State Tax Committee of the Republic of Uzbekistan “On approval of tax reporting forms” (registered by the Ministry of Justice of the Republic of Uzbekistan № 1760, dated January 21, 2008).

## Schemes



(Scheme: Types of reporting)



(Scheme: Agencies (bodies), to which the reporting is submitted)

## **PART IV. Inspection of business entities**

### **Article 39 of the Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity"**

Scheduled inspections of business entities can be performed by controlling bodies not more than once a year by the decision of a specially authorized body on coordination of the activity of controlling bodies, except for private enterprises and cases established in parts two-five of the present article.

Inspections of business entities timely and fully observing established regulations and rules shall be carried out by controlling bodies not more than once in two years, except for cases provided in the present article.

Inspections of private enterprises can be performed by controlling bodies in the established procedure not more than once in two years, except for cases provided by the legislation.

Scheduled inspections of financial-economic activity of micro-firms, small enterprises and farm enterprises shall be performed not more than once in four years, for other business entities - not more than once in three years.

Financial-economic activity of newly established micro firms, small enterprises and farm enterprises is immune from scheduled inspections during the first two years from the moment of their state registration.

Duration of inspections of business entities shall not exceed thirty calendar days. In exceptional cases this period can be extended by the decision of the specially authorized body on coordination of activity of controlling bodies.

Carried out inspections shall not hinder normal functioning of business entities.

Inspections of business entities – members of the Chamber of Commerce of the Republic of Uzbekistan can be performed with participation of its members.

The ground for performance of inspections of business entities by the prosecutor's office, police and the National Security Service shall

be the existence of an opened criminal case. However, such inspection may cover only the business entity's activity relevant to the criminal case, and this shall be specified in the act on assignment of the inspection.

Inspections of financial-economic activity of business entities are carried out in the established procedure only by state tax authorities and in case of detection during the inspections of tax and currency crimes, – by the Department against tax and currency crimes at the General Prosecutor office of the Republic of Uzbekistan.

Business entities have the right to refuse the demands of controlling and law enforcement bodies regarding the matters that are outside of their competence, and to refuse to present materials that are irrelevant to the subject of the inspection.

Results of inspections shall be formalized in the form of an act (certificate), one copy of which is retained by the inspected business entities.

*(article 39 of the Law of the Republic of Uzbekistan, in the edition № LRU -26, dated March 23, 2006, - Collection of legislation of the Republic of Uzbekistan, № 12-13, dated 2006, p.100)*

#### **Article 40. Requirements imposed on officials carrying out inspections**

Inspection of business entities is performed by the controlling and law-enforcement bodies' officials.

The access of controlling bodies' officials to the activity of business entities is granted in the presence of an extract from the inspections schedule, approved by the specially authorized body on coordination of controlling bodies, a copy of the controlling body's order on performing the inspection with specification of the officials and the dates of the inspection, identification documents of the officials.

During the inspections of business entities, the controlling and law-enforcement bodies' officials make a record in the inspections registration book, in the procedure established by the legislation.

## **Section I. The nature and types of inspections of business entities and their implications**

### **Chapter 1. General idea of inspection of business entities**

#### **§ 1. The nature of inspection**

Inspection – is one time control carried out by controlling bodies over the economic entities' compliance with the laws and other legislative acts regulating their activity.

(See: Article 3 of the Law of the Republic of Uzbekistan “On state control over the business entities’ activity”, dated December 24, 1998)

The inspections are performed by controlling bodies. Controlling bodies are the ministries and departments authorized by the legislation to carry out state control over the activity of business entities (for example, the fire department pays main attention to objects with high risk of fire or possible fatalities. The inspection of financial and economic activities (revision) of the taxpayer carried out by the state tax authorities represents the examination and comparison of accounting, financial, statistics, banking and other documents of the taxpayer aimed at execution of state control over the compliance with tax legislation. The state sanitary and epidemiological service of the Republic of Uzbekistan (SES) carries out the state sanitary control over the compliance with sanitary norms, rules and hygienic standards by state bodies, enterprises, institutions, organizations, associations located on the territory of the Republic of Uzbekistan, regardless of their ministerial (departmental) attachment and type of ownership, and by individuals as well).

The right of state bodies to carry out control over the activity of business entities, the types, the frequency and the principles of such control are established by the laws of the Republic of Uzbekistan “On state control over the activity of business entities” and “On guarantees of freedom of entrepreneurial activity”, by the decrees of the President of the Republic of Uzbekistan No.UP-1503 “On unification of inspections and improvement of coordination over the activity of controlling

bodies”, dated 8 August 1996, No.UP-2114 “On unification of the organization of inspections of business entities”, dated 19 November 1998, No.UP-3619 “On measures of further improvement of the system of legal protection of business entities”, dated 14 June 2005, No.UP-3665 “On measures of further reduction and improvement of the system of inspections of business entities”, dated 5 October 2005, and also by the Regulation "On procedure for coordination of inspections of activity of legal persons carried out by controlling bodies" (reg. No.1573, dated 06. 05. 2006) and the Regulation “On procedure for carrying out inspections of business entities and maintenance of the inspections registration Book” (reg. No.1650 dated 29.12.2006).

## **§2. General principles of state control over the activity of business entities**

The following are the general principles of state control over the activity of business entities:

- Legality, objectiveness and publicity of the activity of controlling bodies;
- Protection of rights and legitimate interests of legal persons and individuals;
- Noninterference in the activity of business entities.

(See: article 5 of the Law of the Republic of Uzbekistan “On state control over the activity of business entities”).

A number of measures have been implemented in Uzbekistan aimed at strengthening legal protection of business entities during the inspections. Representatives of small business and private entrepreneurship may make petitions, proposals and complaints against illegal actions (omissions) of the state bodies’ officials, economic administration bodies, including controlling and licensing bodies, local government authorities and other organizations through the ministry of justice’s telephone “trust line” (petitions through the “trust line” on the entire territory of Uzbekistan are made by making a “free of charge” call to 008 number). In case of detection by the ministry of justice of violations of law, it submits requests to relevant organization on



elimination of detected violations, causes of violations and contributing to the violations, to be executed in the established periods.

According to article 34 of the Law "On guarantees of freedom of entrepreneurial activity", state bodies and their officials are not allowed to intervene into the activity of business entities carried out in compliance with the legislation. State bodies and their officials can not use the fact of committed violation as the ground for intervention or restriction of other lawful activity of business entities.

Local government authorities and farmers cooperatives (shirkats) are not allowed to intervene into the entrepreneurial activity of dekhkan and farm enterprises, including into the process of selection of agricultural and technical methods, the range of produced goods, their price and marketing directions, except for purchases in connection of state needs

A violation of the above-mentioned requirements of law may lead to relevant sanctions against a state body official. For example, the sanction of article 241-1 of the Code of the Republic of Uzbekistan on administrative responsibility<sup>15</sup>.

### **§3. Types of inspections of business entities and their implications**

#### **Types of inspections of business entities:**

##### **A) Scheduled inspection**

Scheduled inspection – is an inspection carried out by one, two or more controlling bodies based on the annual (quarter) inspections plan-schedule, approved by the Republican council for coordination of activity of controlling bodies (hereinafter - Council) <sup>15</sup>.

##### **B. Unscheduled inspection**

Unscheduled inspection – is an inspection (including short-term inspection) that is not in the annual (quarter) inspections schedule carried out by controlling bodies in the procedure and cases provided by the legislation.

Unscheduled inspections are carried out in two formats: a) with more than one day in duration and b) with one day duration (short-term inspection). (See: item 18 of the Regulation on the procedure for coordination of inspections of legal persons carried out by controlling bodies (reg. No.1573, dated 06. 05. 2006))

### **C) Counter inspection**

Counter inspection – is an inspection consisting in the comparison of documents kept by different business entities or by different subdivisions of one business entity and that are interconnected based on the relevancy of operations.

### **D) Controlling inspection**

Controlling inspection – is an inspection carried out by controlling bodies over elimination of violations by the business entity revealed in the previous inspection. This inspection is performed by controlling bodies only in connection to the fact and within the periods established in the act (certificate) of the previously performed inspection. Controlling inspections are carried out without an additional decision of the Council or its regional commission.

### **E) Controlling bodies' functions of control not requiring additional consent of the Council (regional commissions)**

Controlling function not requiring additional consent of the Council (regional commissions) vested with controlling bodies, are carried out in cases envisaged in annex No.4 of the Regulation “On the procedure for coordination of inspections of activity of legal persons, performed by controlling bodies” (reg. No.1573, dated 06.05. 2006).

Also, the Tax Code of the Republic of Uzbekistan provides for a separate type of inspections that do not imply visiting business entities. Accordingly, pursuant to article 70 of the Tax Code of the Republic of Uzbekistan, the cameral control carried out on the basis of examination and analysis of the financial and tax reporting submitted in the established procedure by the taxpayer, as well as other documents on the activity of the taxpayer held by the tax authority, is performed at the local state tax authority without visiting the taxpayer.

Also, article 71 of the Tax Code of the Republic of Uzbekistan requires the state tax authorities to keep track (chronometry) of cash receipt of entrepreneurs selling goods or rendering services for cash, directly at the place of such sale of goods or delivery of services. The result of the chronometry cannot be served as a ground for entrepreneur's responsibility.

### **3.1. Scheduled inspection and its implications**

Scheduled inspections can be related to the financial-economic activity and not related to the financial-economic activity of a business entity.

#### **3.1.1. Conditions for performance of scheduled inspections**

Scheduled inspections are carried out to check the compliance by business entities with the legislation.

#### **3.1.2. Documents serving as a ground for scheduled inspections**

The following documents are required for performing the scheduled inspections:

- extract from the coordination plan of inspections of business entities issued in the established procedure by the Republican council for coordination of the activity of controlling bodies or by its corresponding territorial commissions in the Republic of Karakalpakstan, regions and Tashkent city;

- order of the controlling body issued based on the coordination plan indicating the purpose of the inspection, list of inspecting officials and timeframes of the inspection.

These documents constitute the ground for performance of scheduled inspections of business entities. **In the absence of the above documents, the controlling body's official has no right to carry out inspection of the activity of business entities.** If such inspection is carried out, the official acts beyond his authorities and, thus, a business entity is recommended to appeal to the ministry of justice's special telephone "trust line" (008). (*Petitions over the "trust line" are received from 09-00 till 13-00 and from 14-00 till 18-00 from Monday to Friday (except for holidays) by the designated officials of the ministry*). In practice, these inspections are entitled "illegal inspections". The controlling body's official bears responsibility for carrying out illegal inspections.

### 3.1.3. Frequency of scheduled inspections

Scheduled inspections of business entities can be performed not more than once a year.

Inspections of business entities that timely and fully comply with established norms and rules are performed by controlling bodies not more than once in two years.

Financial-economic activity of newly created business entities is not subject to scheduled inspections during the first two years from the moment of their state registration.

There are several exceptions to the above general rules.

Scheduled inspections of the financial-economic activity of micro-firms, small enterprises and farm enterprises are performed not more than once in four years, and for other business entities (joint-stock companies, holdings, corporations, companies etc.) not classified as subjects of small entrepreneurship (business) in accordance with the resolution of the Cabinet of Ministers of the Republic of Uzbekistan No.439, dated 11 October 2003 – the established frequency is not more than once in three years. If a microfirm and a small enterprise exceed the

established average annual number of personnel, they forfeit the privileges, guarantees and rights, provided by the legislation.

## **3.2. Unscheduled inspection and its implications**

### **3.2.1. Conditions for performance of unscheduled inspections**

Unscheduled inspections shall be carried out by controlling bodies based on existing grounded reasons, that is:

- if inspections are required by virtue of a decision of the President or Government of the Republic of Uzbekistan (consequently, if such decision specifies the name of a business entity to be inspected, the consent of the Council or its regional commission is not required);

- receipt by the controlling body of additional information about the violation of the law and other legislation acts by the business entity (Additional information is the information from the enterprises, organizations, institutions and citizens with the indication of specific reasoned and documented facts of violation).

- need to prevent emergency situations;

- worsening of the sanitary and epidemiological situation, and a possibility of entry and dissemination from neighboring states of an infectious disease.

An unscheduled inspection not connected to the financial-economic activity can be also performed upon request of a business entity to controlling bodies and provision of a grounded reason for inspection.

### **3.2.2. Documents serving as a ground for the performance of unscheduled inspections**

The following documents are required for the performance of unscheduled inspections:

- Decision of the Council or its corresponding territorial (regional) commissions in the Republic of Karakalpakstan, regions and Tashkent city<sup>15</sup>;

- Order of the controlling body indicating the purpose of the inspection, list of inspecting officials and timeframes of the inspection. (See: Sample of the order in the Annex *No.1*).

### **3.2.3. Frequency of unscheduled inspections**

There are no frequency limitations for unscheduled inspections.

## **3.3. Counter inspection and its implications**

### **3.3.1. Conditions for performing counter inspections**

Counter inspections are carried out to inspect compliance by the business entity with the legislation, as may be deemed necessary by the controlling body at its own discretion.

### **3.3.2. Documents serving as a ground for performance of counter inspections**

Counter inspections of business entities are carried out by the central offices of controlling bodies and their territorial subdivisions by

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<sup>15</sup> Unscheduled inspections with the duration of more than one day shall be performed only by the decision of the Council. Unscheduled inspections with the duration of one day shall be performed by the decision of corresponding territorial (regional) commissions of the Council. Also, there is an exclusive procedure of unscheduled inspections with regard to observation of trade rules and delivery of cash take by the subjects of entrepreneurship in wholesale and retail trade, in catering trade and in the sphere of paid services (as well as inspections in the bazaars).

decisions of the Council and its regional commissions<sup>16</sup> respectively, only in part of their interrelation with the inspected business entity. The interrelation of a business entity with the inspected entity is understood to mean the concrete documented relation of the persons. During counter inspections it is prohibited to demand from business entities their financial and accounting or other documentation not related to the subject matter of the inspection.

### **3.3.3. Frequency of counter inspections**

There are no any limitations for the frequency of counter inspections.

## **3.4. Controlling inspection and its implications**

### **3.4.1. Conditions for performing controlling inspections**

Controlling inspections are performed by controlling bodies only based on the facts and timeframes established in the act (certificate) on results of the previously performed inspection, without need for additional resolution of the Council and its regional commissions.

In case of disagreement of a business entity with the timeframes set in the act (certificate) of the previous inspection, such timeframes are established by the decision of the regional commissions<sup>17</sup>.

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<sup>16</sup> Counter inspections with the duration of more than one day shall be performed only by the decision of the Council. Counter inspections with the duration of one day shall be performed by the decision of corresponding territorial (regional) commissions of the Council.

<sup>17</sup> However, the inspections with the duration of more than one day shall be performed only by the decision of the Council. The inspections with the duration of one day shall be performed by the decision of corresponding territorial (regional) commissions of the Council.

### **3.4.2. Documents serving as a ground for performance of controlling inspections**

The act (certificate) on the results of a previously performed inspection serves as a ground for the performance of controlling inspections. In case of disagreement of a business entity with the timeframes set in the act (certificate) of the previous inspection, the decision of the Council or its territorial (regional) commissions is additionally required.

### **3.4.3. Frequency of controlling inspections**

There are no frequency limitations for controlling inspections. However, controlling inspections shall be carried out in the timeframes set out in the act (certificate) on the results the inspection.

## **3.5. Controlling bodies' functions of control not requiring additional consent of the Council (regional commissions) and their implications**

### **3.5.1. Conditions for performance of controlling functions by controlling bodies**

The controlling bodies' functions of control are carried out to inspect the compliance by business entities with the legislation, as may be deemed necessary by the controlling body and at its own discretion.

### **3.5.2. Documents serving as a ground for performance by controlling bodies of controlling functions**

The controlling body's order indicating the purpose of the inspection, list of inspecting officials and timeframe of the inspection serves as the ground for the performance of its controlling functions.

### **3.5.3. Frequency of controlling inspections**

There is no frequency limitations for controlling inspections, except for the cases stipulated in the annex 4 of the Regulation 1573.



**It should be noted that some controlling bodies, based on controlling functions vested with them according to the legislation, have the right to carry out controlling inspections without additional consent of the Council (regional commissions).**

These functions are performed in cases stipulated in the annex 4 to the Regulation 1573.

## **Chapter 2. Procedure for performance of inspections of business entities**

### **§1. Rights and obligations of controlling bodies' officials during inspection of business entities**

Pursuant to the legislation of the Republic of Uzbekistan that establishes the procedure for performance of inspection of business entities, the controlling bodies' officials must:

1. instruct an entrepreneur with the purpose of the inspection;
2. present his official identification document, and also the special authorization document for the performance of the inspection;
3. fill the inspections registration book
4. handle a copy of the extract from the coordination plan of inspections of business entities or a copy of the decision on performance of the unscheduled tax inspection or counter inspection, issued by specially authorized body on coordination of controlling bodies (except for the cases stipulated in the legislation<sup>18</sup>), and a copy of the tax authority's order on assignment of a tax inspection and program of conducting the tax inspections.
5. Carry out the inspection based on consent by the business entity.
6. Take minutes of the inspection.
7. Draft an act (certificate) based on the results of inspection and inform the entrepreneur about it.

### **§2. Rights and obligations of entrepreneurs during inspection**

An entrepreneur must provide access to the officials of controlling bodies carrying out an inspection to the territory and premises for

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<sup>18</sup> Part three and five of article 88 of the Tax Code

performance of the inspection, except for cases stipulated in the legislation<sup>19</sup>.

An entrepreneur has the right to deny the officials of controlling bodies access to its territory and premises for the performance of an inspection in cases, if:

the decision of the Council or its territorial bodies and the order of the controlling body are not presented or not properly formalized, except where the entrepreneur refuses to accept receipt;

the inspecting official (inspector) is not specified in the order assigning the inspection, did not present his official identification document and special authorization document to perform the inspection;

the timeframes indicated in the order have not come or have already expired.

the inspecting official refuses to fill the inspections registration book.

### **§3. Actions performed during the inspection**

The following actions are performed during inspections of business entities:

- Survey of territories and premises
- Inventory of property
- Request for documents
- Seizure of documents and items
- Suspension of entrepreneur's bank accounts operations
- Formalization of results of an inspection

### **§4. Act of the controlling body based on results of performed inspection**

Based on results of an inspection, the controlling bodies' officials shall draft the inspection act containing the following:

- Information about previous inspection;

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<sup>19</sup> Part four and eight of article 92 of the tax Code

- Indication of the inspection period and general information on documents submitted by an entrepreneur for inspection;
- Detailed description of a violation (if any) with reference to the applicable legislative norm;
- Outcomes and conclusions of the inspection.

If a violation of the tax legislation is not revealed upon completion of the inspection, it shall be indicated the inspection act.

One copy of the act shall be handed to the entrepreneur. The entrepreneur must sign each copy of the act indicating its receipt date to evidence receipt of the inspection act. Entrepreneur's signature on the inspection act does not imply his consent to results of the inspection. It should be noted that if a business entity has objections or remarks to the inspection act, it has no statutory right to attach them to the inspection act. But on the other hand, the law grants business entities the right to appeal against results of inspections to higher authorities or directly to the court.

Upon review of inspection materials, director or deputy director of controlling bodies (not later than five working days for tax authorities) takes a decision on the following:

- approval or refusal of imposition of taxes, other mandatory payments and penalties;
- bringing the entrepreneur to responsibility for committed violation of law or refusing to do so.

### **Chapter 3. Appeal procedure**

The head and authorized persons of inspecting bodies bear personal (up to criminal) liability for noncompliance with the established procedure of performance of inspection of business entities.

An entrepreneur, whose rights have been violated, is entitled to demand full compensation of caused damages.

A damage sustained by business entity as a result of unlawful decisions of state bodies or unlawful actions (omissions) of their officials, is subject to full compensation upon decision of the court by such state bodies primarily from their non-budget funds.

Upon decision of the court and in the manner provided by the law, the compensation of damages can be imposed on the state body officials, whose faulty actions caused the damages.


A business entity has the right to claim against the state official at fault the compensation of the actual damages, loss of profit and also compensation of the moral harm, caused as a result of illegal intervention.

The actions and decisions of inspecting bodies and their officials can be appealed directly to the court or to a higher authority to a state official.

In accordance with the resolution of the Cabinet of Ministers of the Republic of Uzbekistan No.57 “On invocation of the activity the Republican coordination council on stimulation of development of small and private entrepreneurship”, date 17 February 2000, complains against the actions and decisions of inspecting bodies and their officials can be also submitted to the Ministry of Justice of the Republic of Uzbekistan and its territorial departments.

# Sample of the order of the controlling body represented by the tax inspection on performing short-term inspection

FROM :	FAX NO. :	Aug. 23 2011 09:36AM P1
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**O'ZBEKISTON RESPUBLIKASI DAVLAT SOLIQ QO'MITASI**

**TOSHKENT SHAHAR SHAYXONTOHUR TUMANI**  
**DAVLAT SOLIQ INSPEKSIYASI**

**BUYRUQ № 512xc**

20 10 yil "11" noyabr

**«Kisqa muddatli tekshirish  
utkazishi haqida»**


Uzbekiston Respublikasi soliq kodeksi, Uzbekiston Respublikasining Prezidentining 1996 yil 7 avgustdagi ПФ-1504-sonli farmoni, 1998 yil 24-dekabrda 717-1-son bilan ruyxatga olingan «Xushtalik yurituvchi sub'ektlar faoliyatini Davlat tomonidan nazorat qilish tuzilishidagi konunining 13 moddasi hamda 2007 yil 3 sentyabrda Adliya Vazirligida 1712-son bilan ruyxatga olingan Tartibga asosan Vazirlar Mahkamasining 1994 yil 26 dekabrda 621-sonli, 1997 yil 11 dekabrda 548-, 1197 yil 23 oktyabrda 483-, 2002 yil 5 avgustda 280-sonli, 2003 yil 13 fevralda 75-sonli, 2002 yil 06 maida 154-sonli, 2002 yil 26 noyabrda 407-sonli, 2003 yil 23 maida 230-sonli, va 2003 yil 28 ioldagi 330-sonli qarorlarini talablari bajarilishini nazorati, savdo, narx-navo qoidalariga rioya etilishini, kursatiladigan xizmatlarni to'la va to'g'ri bajarib, hamda nafaqat pul tushumini bank muassasalariga to'g'ri to'plashini hamda sotiladigan maxsulotlarni konuniligi josisidan kisqa muddatli tekshirish utkazishi maqsadida.


**BUYRAMAN:**

1. Toshkent shahar Shayxontohur tumani DSIning «Nazorat tartibidagi va Kiska muddatli tekshirishlarni tashkil qilish» shu-basi xodimlari N. Sengob, N. Zeyarovich ga Shayxontohur tumani, Matolobod ifrai 64-6 qurilishda joylashgan shirkat da kisqa muddatli tekshirish utkazishi to'xtatilgan.
2. Kisqa muddatli tekshirish 2010 yil 11 noyabr kuni utkazilgan.
3. Ushbu buyruk ishoratini tashkil qilish DSIning «Nazorat tartibidagi va Kiska muddatli tekshirishlarni tashkil qilish» shu-basi bo'limi A. Suvankulovga to'xtatilgan.
4. Ushbu buyruk ishoratini nazoratini ush jummadamda qoldiram.

Asos: Shayxontohur tuman DSIning «JSHST va HK» bulimi xodimining bildirgisi.

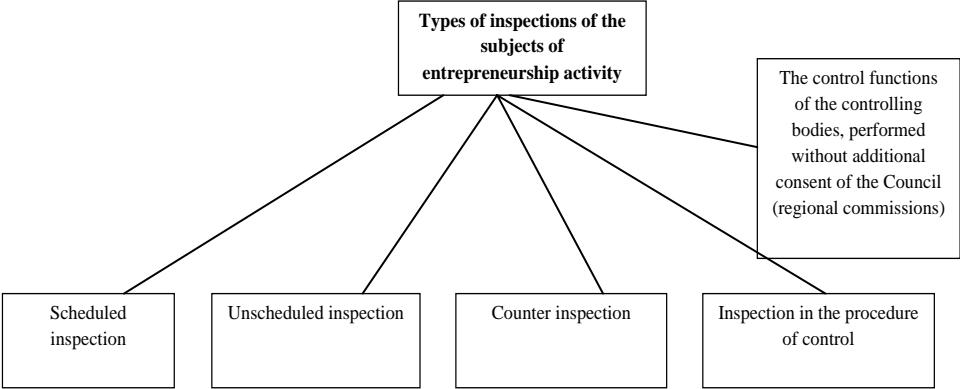
Shayxontohur  
soliq inspeksiya



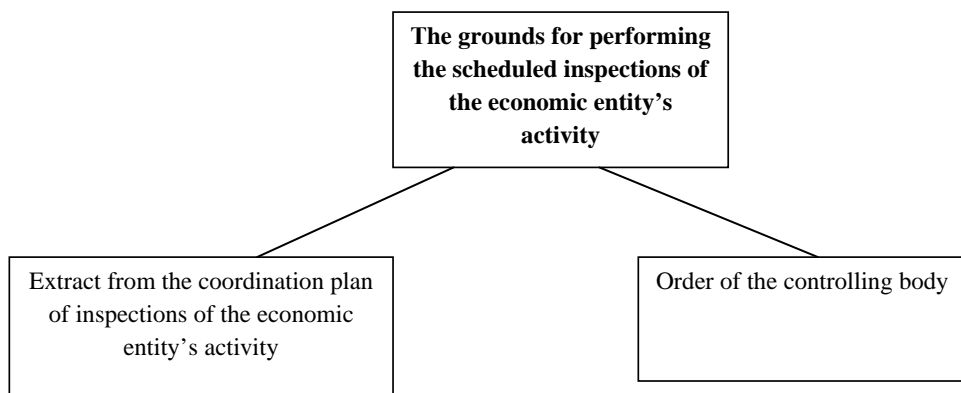


**A. A. FAIZIBAYEV**

# SCHEMES

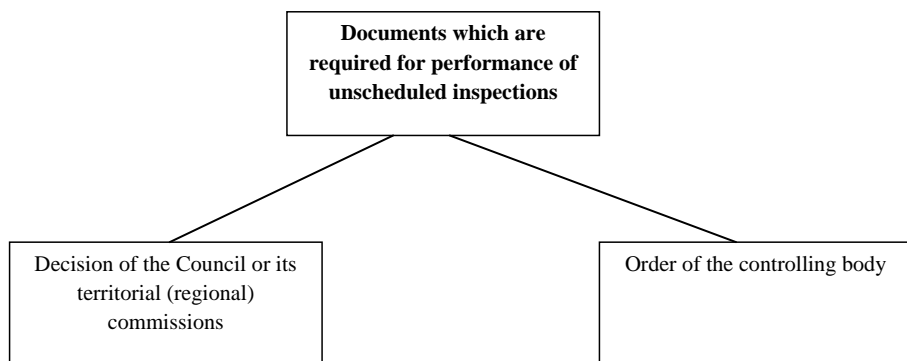


(Scheme: Types of inspections)



(Scheme: Grounds for performance of scheduled inspections)





(Scheme: Documents required for the performance of unscheduled inspections)

## **PART V. APPLICATION OF MEASURES OF RESTRICTION TO BUSINESS ENTITIES**

### **Article 40<sup>1</sup>. Application of measures of restriction to business entities**

In cases provided by the legislation, business entities can be subject to measures restricting their activity. The following measures of legal restriction can be applied to business entities only under judicial procedures:

- termination of activity;

- termination and (or) reprofiling of activity of objects causing harm to the environment;

- restriction, suspension and prohibition of the activity, except in cases of restriction and suspension of the activity for the period of not more than ten working days due to prevention of emergency situations, epidemics and other real threat to the life and health of the population;

- suspension of the bank accounts operations, except for the cases stipulated by the law;

- application of financial sanctions, except for tax arrears penalties and in cases of admission of guilt by an enterprise or an individual in a committed violation of law and voluntary payment of financial sanction;

- transferring subjects of violations to the ownership of the state;

Suspension for the period of more than ten working days or termination and annulment of licenses (permits) for particular types of entrepreneurial activity, except for licenses (permits) issued by the Cabinet of Ministers and the Central Bank of the Republic of Uzbekistan).

The Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” was supplemented with article 40<sup>1</sup> in accordance with the Law of the Republic of Uzbekistan No.LRU-59<sup>20</sup>, dated 10 October 2006.

This article upheld a shift from the administrative procedure of application of restriction measures (including financial responsibility) against business entities to the judicial. Such procedure for application of restriction measures of business entities’ activity is clearly very important for law enforcement practice of the republic.

Implementing the judicial procedure of application of specified restriction measures ensured the guarantees of legal entities and individual entrepreneurs against "one-sided" ministerial approach when deciding on restriction of the entrepreneurial activity. The transfer to judicial bodies of functions of application of restriction measures shall prompt controlling bodies to exercise more accurate and thorough analysis of business entities’ actions (omissions) for their compliance with the law and to be more responsible with respect to their own actions when executing the state control over the compliance of business entities with current legislative acts.

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<sup>20</sup> Collection of Legislation of the Republic of Uzbekistan, 2006, № 41, p. 405.

## **Section I. General provisions**

### **Chapter 1. The concept of measures of legal restriction applied to business entities. Their objectives.**

First of all, measures of legal restriction applied to business entities are the means of enforcement of the rule of law and the principle of legality.

As the state regulation is mediated by the law, the enforcement of the rule of law is an essential factor of its effectiveness. The primary task of the state becomes the prevention of socially harmful acts: non-compliance with legal instructions by business entities, non-performance of the obligations, violations of legislative norms.

#### **§1. The concept of measures of legal restriction applied to business entities.**

Liability in the area of entrepreneurial activity is triggered upon violations that are caused either by non-performance (improper performance) of obligations before a counteragent – the contractual liability (violation of commercial obligations with respect to the quality of goods, works, services, shipment of goods, violation of contractual timeframes for the performance etc.), or by violating normative rules of entrepreneurial activities – the extra-contractual (out-of-contract) liability (financial sanctions, suspension or termination of the business entity's activity).

Based on their economic nature, the liability measures practiced in business relations can be characterized as economic sanctions. At the same time they are measures of state coercion established by the law, thus they are of legal nature. The economic element of these sanctions is their influence on economic interests of participants of business relations. On the other hand, some economic sanctions, in particular such as damages compensation, can be viewed as one of the measures of protection of economic rights and interests, provided by the system of legal regulation of business activity.

The concept of economic sanctions does not follow the civil concept of proprietary liability, because the latter does not include most of the sanctions that are applied or can be applied in business relations.

## **§2. The purposes of legal restriction measures**

Purposes of legal responsibility are concretized in its functions. When determining the functions of legal responsibility in the area of business relations, it should be understood that the business activity is related, first of all, to material production, use of the property for production (realization) of goods, and the measures of responsibility have proprietary character here.

The following are the functions of sanction are: 1) protective – a measure of prompt intervention into the violating business entity's activity and affecting it as a measure of law enforcement and protection of its rights from infringements, and inducing the violator to cease the violation; 2) compensative, i.e. compensation of damages sustained by a business entity in connection with improper performance by the other party; 3) punitive, which implies the punishment of a business entity in breach; 4) restoring, aimed at restoring the harmed party's rights.

Therefore, sanctions – are measures of restriction on a violating business entity affecting it as a measure of law enforcement and protection of its rights from infringements, inducing the violator to cease the violation and prevent damages, as well as affecting financially.

Sanctions can be imposed by the law or other legislative acts. In order to apply sanctions, a relevant state body does not have to resort to courts, except for strictly defined list of cases specified below. Thus, sanctions there are different types of sanctions depending on the implementation procedure: those that are implemented by judiciaries or those applied under administrative framework.

## **Chapter 2. Normative-legal base for imposition of legal restriction measures on business entities**

**The essential normative-legal base regulating main provisions and procedure for application of measures of legal restriction to business entities has been created in the Republic of Uzbekistan. Decree of the President of the Republic of Uzbekistan No.UP-3619 “On measures of further improvement of the system of legal protection of business entities”<sup>21</sup>, adopted for the purposes of reduction of interference of controlling bodies with business entities’ activity, prevention of groundless restrictions of entrepreneurial activity and also for strengthening legal protection of entrepreneurs, dated 14 June 2005, has become the main legislative act that served as a basis for reformation of procedures of application of legal restriction measures to business entities.**

**The issues of applying legal restriction measures to business entities are subject matter of regulation of practically all branches of the national legislation.**

The Law of the Republic of Uzbekistan “On introducing changes and additions to certain legislative acts of the Republic of Uzbekistan in connection with the improvement of the system of legal protection and liberalization of financial responsibility of business entities”<sup>22</sup> has introduced corresponding changes and additions to a number of legislative acts.

Pursuant to the above legislative act, the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” was supplemented with article 40<sup>1</sup>, devoted to the issues of application of legal measures restriction the activity of business entities. This article

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<sup>21</sup> Collection of Legislation of the Republic of Uzbekistan, 2005, № 23-24, p. 167.

<sup>22</sup> Collection of Legislation of the Republic of Uzbekistan, 2006, № 41, p. 405.

thoroughly regulates the issues of application of legal restriction measures through judicial procedures.

**The Tax Code of the Republic of Uzbekistan**<sup>23</sup> establishes appropriate measures of liability for tax violations. Tax sanction is a particular liability measure for a committed tax violation. The Tax Code of the Republic of Uzbekistan (article 112) provides for tax sanctions only in the form of monetary levy (fines and penalties). Articles 112 – 121 of the Tax Code of the Republic of Uzbekistan establish the definition of financial sanctions, procedure of their application and also describe types of tax violations and applied liability measures.

Please note that the **Customs Code of the Republic of Uzbekistan**<sup>24</sup> (chapter 15), regulating liability issues of legal persons and individual entrepreneurs, also serves as a normative-legal source for the procedure of applying legal restriction measures to business entities for particular types of violations of customs legislation.

**The Code of the Republic of Uzbekistan on administrative responsibility**<sup>25</sup> shall be considered as a source of legislative regulation of the process of applying legal restriction measures to business entities. Chapter XIII regulates the issues of administrative responsibility the violations in the area of trade, entrepreneurship and finance. For example, article 164 of the Code establishes a fine for violation of the rules of trade and provision of services.

**The banking legislation** also has a dominant role in regulating the issues of application of measures of legal restriction to business entities. Accordingly, article 29 of the Law of the Republic of Uzbekistan “On the Central bank of the Republic of Uzbekistan”<sup>26</sup> establishes that in case of a bank’s non-compliance with the rules on minimal mandatory reserve requirements, the Central bank shall unconditionally collect the

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<sup>23</sup> Collection of Legislation of the Republic of Uzbekistan, 2007, № 52 (II).

<sup>24</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1998, № 2, p. 36.

<sup>25</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1995, № 3.

<sup>26</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1995, № 12, p. 247.

amount of underpaid funds and apply the fine in the amount not exceeding two refinance rates.

Article 55 of the Law of the Republic of Uzbekistan “On stock market”<sup>27</sup> establishes a number of economic sanctions applied to stock market participants for violating the security legislation. The antimonopoly legislation also covers the issues of applying the measures restricting the activity of business entities.

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<sup>27</sup> Bulletin of the chambers of Oliy Majlis of the Republic of Uzbekistan, 2008, № 7, p. 354.



### **Chapter 3. State bodies and officials authorized to impose measures of legal restriction on business entities**

**State bodies authorized to impose measures of legal restriction to business entities are granted the right to execute administrative enforcement, for example, to impose measures of constraint (shutting down a production complex of a legal person that relies on it in its business activity, banning certain activities of a legal person, temporary suspending such legal person's production process), and also to impose established administrative penalties on business entities.**

**The government, represented by its agencies, carries out administrative functions with respect to all legal entities, including in the area of economy (and, accordingly, in the area of entrepreneurial activity). Under the regulation framework in the area of entrepreneurial activity, the government exploits specialized means, forms and methods to influence business entities.**

The decree of the President of the Republic of Uzbekistan No.UP-3619 "On measures of further improvement of the system of legal protection of business entities", dated 14.06.2005, specifies the list of legal restriction measures imposed on business entities only under the judicial procedure. In this case, the court is an authorized state body in the area of imposition of restriction measures on business entities.

Specific questions of application of legal restriction measures to business entities by economic or criminal courts under administrative cases will be reviewed in more detail below.

It should be noted that in conformity with the Code of the Republic of Uzbekistan on administrative responsibility (Section XVIII), besides the judicial bodies, imposition of administrative measures on legal entities is also in the competence of state sanitary control bodies (article 257 of the Code), customs authorities (article 262 of the Code), state tax authorities (article 264 of the Code), state statistics authorities (article

267 of the Code), antimonopoly agencies (article 268<sup>1</sup> of the Code), architecture and construction agencies (article 268<sup>2</sup> of the Code) and other state governing and administration bodies.

Accordingly, in particulae, pursuant to article 257 of the Code of the Republic of Uzbekistan on administrative responsibility, the following authorities have the right, on behalf of state sanitary control bodies, to review cases on administrative violations and impose administrative sanctions in the form of fines: 1) Chief state sanitary inspector of the Republic of Uzbekistan and his deputies; 2) Chief state sanitary inspectors of the Republic of Karakalpakstan, regions and Tashkent city and their deputies, chief state sanitary inspectors of towns with district division, and chief state sanitary inspectors of basins on water transport; 3) chief state sanitary inspectors of districts and towns without district division, and chief state sanitary inspectors of ports and linear sections on the water transport.

Besides the issues of imposition of administrative responsibility measures, the relevant state government and administrative bodies have the right to apply other legal restriction measures to business entities.

## **Section II. Procedure of imposition of measures of legal restriction on business entities**

### **Chapter 1. Grounds for imposition of measures of legal restriction on business entities**

**According to article 40<sup>1</sup> of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity”<sup>28</sup>, measures of legal restriction shall be applied to business entities in cases stipulated by the legislation.**

**A violation is the actual ground for imposition of legal restriction measures. The ground for imposition of legal restriction measures is a collective concept that represents the foundation upon which such measures are based and consists of established mandatory general “requirements”, observation of which is necessary for imposition of legal restriction measures.**

Obviously, in each case the ground for the imposition of relevant measures of legal restriction is a particular type of violation, offense, crime, non-performance, committed by a business entity.

Thus, in particular, commitment of a tax violation is the only ground for tax liability. The principally important point for taxpayers, law enforcement practice and Uzbek tax system is the definition of tax violation provided in article 106 of the Tax Code of the Republic of Uzbekistan<sup>29</sup>. According to this article of the Code, the tax violation is a culpable wrongful deed (act or omission) of a taxpayer that is subject to a sanction under the present Code.

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<sup>28</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2000, № 5-6, p. 140.

<sup>29</sup> Collection of Legislation of the Republic of Uzbekistan, 2007, № 52 (II).

According to article 155<sup>17</sup> of the Economic Procedure Code of the Republic of Uzbekistan<sup>30</sup>, the economic court, when considering a case on imposition of legal restriction measures, **shall, among other things, establish whether a violation occurred and was commitment, and whether the legislation provides a sanction against such violation.**

Therefore, the element of illegality is prerequisite for imposition of legal restriction measures. In the absence of illegal behavior, but where damages are subject to compensation by virtue of the law, take effect constraint measures of another legal nature, i.e. other than legal restriction measures.

Guilt is also prerequisite for imposition of legal restriction measures. In this context, the guilt means mental attitude of an individual person entrepreneur towards his committed illegal action or omission, as well as to resulting illegal consequences. The guilt of a legal person is found in faulty actions of its official committed in connection with his working functions, and when there is no guilt of a particular official, it may also be allocated between different subdivisions of the legal entity.

By virtue of article 109 of the Tax Code of the Republic of Uzbekistan, a person is immune against liability for a tax violation if his guilt in the violation has not been proved. Consequently, article 110 of the Code provides for a list of circumstances excluding the guilt of a person in the commitment of tax violations.

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<sup>30</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1997, № 9, p. 234.

## **Chapter 2. Types of legal restriction measures applicable to business entities only under the judicial procedure**

**According to article 40<sup>1</sup> of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity”, the following measures of legal restriction shall be applied to business entities only under the judicial framework: 1) termination of the activity; 2) termination and (or) reprofiling of activity of objects causing harm to the environment; 3) restriction, suspension and prohibition of the activity, except in cases of restriction and suspension of the activity for the period of not more than ten working days due to prevention of emergency situations, epidemics and other real threat to the life and health of the population; 4) suspension of the bank accounts operations, except for the cases stipulated by the law; 5) application of financial sanctions, except for tax arrears penalties and in cases of admission of guilt by an enterprise or an individual in a committed violation of law and voluntary payment of financial sanction; 6) transferring subjects of violations to the ownership of the state; 7) Suspension for the period of more than ten working days or termination and annulment of licenses (permits) for particular types of entrepreneurial activity, except for licenses (permits) issued by the Cabinet of Ministers and the Central Bank of the Republic of Uzbekistan).**

### **§1. Termination of activity**

**The legal restriction measure in the form of termination of activity of a business entity, provided in item 1 of the supplement to the Decree of the President of the Republic of Uzbekistan, No.UP-3619, dated 14.06.2005, means the termination of entire activities of the business entity. It should be noted that in this case the termination can be carried out in the form of liquidation and reorganization (merger, division, separation, transformation).**

**Consequently, reorganization implies the legal succession, while liquidation is done without it.**

According to item 13 of the resolution of the Supreme court of the Republic of Uzbekistan and the Supreme Economic court of the Republic of Uzbekistan No.12/149 “On issues related to application of the legislation of the Republic of Uzbekistan aimed at improving the system of legal protection and liberalization of financial responsibility of business entities”, dated 22.12.2006, an application (submission) on termination of the activity of a business entity shall be submitted to the court only in cases stipulated by the legislation.

Termination of the activity is the measure of legal restriction applied to a business entity for its failure to observe legislative requirements when carrying out financial-economic activity, while a legal person’s liquidation is a result of non-performance of financial-economic activity and (or) failure to form the charter capital under applicable timeframes.

Termination of a business entity’s activity results from administrative and other public legal relationships and the case is reviewed based on the application of a controlling body.

However, liquidation of a legal person arises from civil legal relationships and the case is reviewed based on a relevant law suit. It is applied to legal persons for non-performance of financial-economic activity and (or) failure to form the charter capital under applicable timeframes. That’s why it is not considered a liability measure or sanction.

If a particular activity of a business entity has been terminated, it may carry out other activities, except the one terminated by the court decision, while liquidation leads to a complete termination of its activity.<sup>31</sup>

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<sup>31</sup> Resolution of the Plenum of Supreme Economic Court of the Republic of Uzbekistan № 229, dated June 30, 2011 “On certain issues of applying the Economic Procedure Code of the Republic of Uzbekistan in connection with adoption of the Law of the Republic of

Termination of activity of business entities is a measure of legal restriction imposed in cases when the activity is carried out without license (permit), and in other cases stipulated by the legislation. In other words, the termination is permitted only based on the grounds stipulated by the legislation. Let us consider some grounds for termination of activity of business entities stipulated by the legislation.

It should be noted that termination of activity of legal persons is a quite lengthy procedure: selection of the liquidation commission, inventory of the property, publication of a relevant announcement in mass media, satisfying creditors' claims.

Similarly, activity of an individual entrepreneur that committed repeated and gross violations of the legislation in the course of his activity can be terminated only under the judicial procedure. Termination of activity of an individual entrepreneur may occur also in relation to a court judgment that imposes a criminal sanction in the form of deprivation of the right to carry out entrepreneurial activity.

In conformity with article 45 of the Criminal Code of the Republic of Uzbekistan<sup>32</sup>, the deprivation of a particular right of a person means a ban against a person at fault to engage in a particular activity within the period specified by the court. The type of such activity is determined by the court at rendering the judgment.

## **§2. Termination and (or) reprofiling of activity of objects causing harm to the environment**

**According to article 10 of the Law of the Republic of Uzbekistan “On protection of nature”<sup>33</sup>, termination and reprofiling of activity of local objects harmfully affecting the environment, and that are**

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Uzbekistan “On introducing changes and additions to certain legislative acts of the Republic of Uzbekistan”, dated April 21, 2011

<sup>32</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1995, № 1.

<sup>33</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1993, № 1, p. 38.

**business entities, as well as the annulment of the permit to use natural resources is carried out under the judicial procedure.**

Accordingly, in conformity with article 10 of the Law of the Republic of Uzbekistan “On Subsoil”, the subsoil use on the territory of localities, industrial zones, objects of industry, transport and communication, can be limited if such use may damage the environment.

By virtue of article 40 of the Law of the Republic of Uzbekistan “On forests”, the right of forest use can be restricted, suspended or prohibited in cases of violation of the forest legislation, and also for the purposes of preservation, protection and regeneration of forests and other objects of nature. In its turn, based on article 32 of the Law of the Republic of Uzbekistan “On protection and wildlife use”, in the interests of wildlife protection the right of the land users, forest users, water users, water consumers and subsoil users can be restricted and certain obligations can be imposed upon them in the established procedure.

### **§3. Restriction, suspension and prohibition of activity**

**Restriction, suspension and prohibition of activity are the measures of legal restriction applied in cases of violation by business entities of normative-legal acts. Suspension of activity of a business entity means a prohibition to engage in its normal activity until occurrence of certain circumstances (elimination of violations).**

**Restriction of the activity means that the business entity in course of its activity shall act within the limitations imposed by the court.**

**Imposition of prohibition implies that a business entity cannot engage in certain type of activity.**

An application (petition) on suspension of activity of a business entity can be submitted by a controlling body only if the suspension of the activity is permitted by the legislation. According to the item 14 of the resolution of the Supreme court of the Republic of Uzbekistan and the Supreme Economic court of the Republic of Uzbekistan, № 12/149, “On issues related to application of the legislation of the Republic of



Uzbekistan aimed at improving the system of legal protection and liberalization of financial responsibility of business entities”, dated 22.12.2006, cases of suspension for less than ten working days in connection with prevention of emergency situations, epidemics and other real threat to lives and health of the population are excluded from the above rule.

Accordingly, pursuant to article 27 of the Law of the Republic of Uzbekistan “On state sanitary control”, in the event of violations of sanitary legislation, the chief state sanitary inspectors and their deputies have the right to suspend activity of public catering and trade enterprises, educational, medical and sanitary resort institutions until elimination of violations of sanitary norms, rules and sanitary standards (moreover, this article provides that the suspension is carried out under the judicial procedure).

According to article 5 of the Law of the Republic of Uzbekistan “On pharmaceutical products and pharmaceutical activity”, the Ministry of healthcare of the Republic of Uzbekistan suspends production, manufacturing, import and sale of pharmaceutical products, provided there are facts evidencing their harmful effect. Suspension of production and manufacturing of pharmaceutical products (except for cases of suspension for less than that ten working days in connection with prevention of emergency situations, epidemics and other real threat to lives and health of the population), which results in suspension of activity of business entities, is carried out under the judicial procedure.

Based on article 155<sup>18</sup> of the Economic Procedure Code of the Republic of Uzbekistan, in case of satisfaction of the asserted claim for imposition of measures of legal restriction, the resolution of the economic court’s decision must contain a reference to the term of restriction, suspension and prohibition of the activity, as well as to conditions, upon occurrence of which the activity is restricted, suspended and prohibited.

#### **§4. Suspension of operations with bank accounts**

**Suspension of operations with bank account is the measure of legal restriction imposed to secure the enforcement of state officials' requirements in relation to non-performance by a business entity of its legal obligations under the law. In accordance with article 96 of the Tax Code of the Republic of Uzbekistan, suspension of operations with bank accounts of a taxpayer is performed only on the basis of court decision, except for revealed instances of legalization of income received from a criminal activity, and financing of the terrorism.**

The right to demand suspension of operation with bank accounts in court is vested with state bodies in cases established by the legislation. Accordingly, in conformity with article 96 of the Tax Code of the Republic of Uzbekistan, in cases of taxpayer's opposition to a tax inspection or refusal to grant state tax authority officials access for the purpose of conducting survey works to its territory, premises, including places used by the taxpayer for generation of income or related to maintenance of taxable objects, the state tax authorities have the right to apply to the court demanding the suspension of operations with taxpayer's bank accounts. This provision is derived from the right of the state tax authority, granted to it by article 5 of the Law of the Republic of Uzbekistan "On state tax service"<sup>34</sup>.

In turn, in conformity with article 7 of the Law of the Republic of Uzbekistan "On state customs" and for the purposes of compliance with the tax legislation, in cases of failures by business entities to make customs payments to state budget, banks and other financial and credit organizations close operational and other bank accounts of such business entities in accordance with relevant court decisions.

Bank account operations can be suspended only with respect to disbursements. This does not apply to payments to state budget and

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<sup>34</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1997, № 9, p. 232.

salary payments, allowances, and also to compensation of damages caused to health and life as a result of an occupational accident. Therefore, the so-called priority payments are exceptions from the above general rule.

Based on article 155<sup>18</sup> of the Economic Procedure Code of the Republic of Uzbekistan, in case of satisfaction of the asserted claim for imposition of measures of legal restriction in the form of suspension of operations with bank accounts, the resolution of the economic court's decision must contain a reference to conditions, upon occurrence of which the operations are suspended. According to item 15 of the resolution of the Supreme court of the Republic of Uzbekistan and the Supreme Economic court of the Republic of Uzbekistan, No.12/149, "On issues related to application of the legislation of the Republic of Uzbekistan aimed at to improving the system of legal protection and liberalization of financial liability of business entities", dated 22.12.2006, in case of satisfaction of the claim (petition) on suspension of operations with bank accounts, the resolute part of a court decision shall provide a reference to the term of suspension of the operations or define a condition, upon occurrence of which the operations are suspended (until completion of the financial-economic inspection and issuance of a decision approving its results etc.), as well as an instruction to a relevant bank on resuming of operations with the account upon elimination of the suspension reasons.

It should be noted that the arrest of monetary assets of a business entity by the economic court under a commercial dispute, is a measure of securing the claim, the refusal of which shall be allowed in conformity with the rules, established by the Economic procedure code of the Republic of Uzbekistan.

## **§5. Imposition of financial sanctions**

**Financial sanctions are applied to business entities for violation of their obligations on tax payments and other mandatory contributions to the budget.**

**In other words, financial sanctions – are the measures of state constraint applied by authorized state bodies and their officials to taxpayers (legal and individual persons) in the established legal procedure, expressed in the form of money transferrable to the budget, aimed at protecting public and state financial interests, recovering of outstanding payments to the budget and off-budget funds, and punishing for tax violations. Imposition of financial sanctions implies negative material and mental consequences for persons guilty of tax violations.**

**Financial sanctions imply negative consequences for business entities that violated applicable legislative requirements: imposition of various fines etc. Financial sanctions do not apply to business entities that committed the violations while implementing instructions of controlling bodies pursuant to results of inspection etc.**

A claim (petition) on imposition of financial sanctions can be submitted to the court by controlling bodies that have the statutory right to apply financial sanctions. These bodies include tax authorities, customs authorities, State Committee of the Republic of Uzbekistan on demonopolization and development of competition and its territorial bodies and others.

The following documents shall be attached to a claim (petition) on application of financial sanctions:

- documents that have served as a ground for an inspection (decision of a specially authorized body on coordination of controlling body), except where the law does not require obtaining such decisions;
- decision by investigation and preliminary investigation bodies, if the inspection is carried out in the context of a criminal case;
- order on performance of an inspection;
- inspection plan etc.;
- inspection act drafted upon results of the inspection and other supplemental documents;

- protocol and decision on review of inspection materials, if so required by the law;
- proof of delivery or shipment of the copy of the decision to respondent).

The decree of the President of the Republic of Uzbekistan No.UP-3619 “On measures of further improvement of the system of legal protection of business entities”, dated 14.06.2005, by allowing out-of-court financial sanctions in case of admission of guilt in a committed violation of law and voluntary payment of financial sanctions by a business entity, it basically establishes a pre-trial procedure for imposition of the sanctions.

According to item 16 of the resolution of the Supreme court of the Republic of Uzbekistan and the Supreme Economic court of the Republic of Uzbekistan No.12/149 “On issues related to application of the legislation of the Republic of Uzbekistan aimed at improving the system of legal protection and liberalization of financial liability of business entities”, dated 22.12.2006, a controlling body has the right to refer the case to court if its demands are ignored by the business entity for a period of ten days from the date of its receipt of such demands. A failure by the controlling body to comply with this requirement is the ground for the court’s refusal to review the claim.

Item 2 of the Decree of the President of the Republic of Uzbekistan No.UP-3622 “On liberalization of financial liability of business entities for economic violations”<sup>35</sup> provides that in case of a transfer of the materials to the judiciary, the business entity is released from applicable financial sanctions if it voluntarily, within one month period, repays the damages caused by nonpayment of taxes and other mandatory payments and cures resulting consequences, including payment of applicable penalties. Consequently, as underlined in the mentioned decree of the Supreme Court of the Republic of Uzbekistan and Supreme economic court of the Republic of Uzbekistan, the courts shall start the hearings not earlier than one month from the date of submission of the claim (petition) to the court.

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<sup>35</sup> Collection of Legislation of the Republic of Uzbekistan, 2005, № 25-26, p. 178.

Based on article 155 of the Economic Procedure Code of the Republic of Uzbekistan, when the economic court takes a decision on imposition of measures of legal restriction, the resolute part of the decision must specify the size of the imposed financial sanction and the name of the controlling body authorized to collect the financial sanction.

## **§6. Conversion of the subject of law violation into the ownership of the state**

**The question of conversion of the subject of law violation into the ownership of the state is decided on by the court handling the case on such violation. Accordingly, the conversion is allowed only in cases stipulated by the legislation.**

It should be noted that the procedure for seizure, registration, storage, evaluation, sale, as well as liquidation of the property that is subject to conversion into the ownership of the state is regulation by the Provision on the procedure for seizure, sale or liquidation of the property that is subject to conversion into the ownership of the state, approved by the resolution of the Cabinet of Ministers No.200<sup>36</sup>, dated 15.07.2009.

Besides, this Provision applies to the property that is subject to conversion into the ownership of the state: 1) based on court decisions in criminal cases, with respect to items and instruments of the crime, and also material evidences; 2) based on administrative court decisions, with respect to items and instruments of the violation, and also material evidences; 3) based on court decisions in criminal cases with respect to compensation of damages caused to the state by means of the property arrested in course of investigation, preliminary investigation or court trial to secure enforcement of property sanctions.

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<sup>36</sup> Collection of decrees of the Government of Uzbekistan, 2009, № 7, p. 56.

## **§7. Suspension for the period of more than ten working days or termination and annulment of the license (permit) for carrying out various types of entrepreneurial activity**

**The licensing body applies to the court with a claim (petition) on suspension for the period of more than ten working days or termination and annulment of licenses (permits) for carrying out various types of entrepreneurial activity only in cases permitted by the legislation.**

**When considering such claims (petitions), the courts shall comply with articles 22-24 of the Law of the Republic of Uzbekistan “On licensing various types of activities”<sup>37</sup>, which provide an exhaustive list of grounds for suspension, termination and annulment of the license.**

Accordingly, pursuant to article 22 of this Law licenses can be suspended in cases of: 1) revealed violations by the license-holder of licensing requirements and terms stipulated in the license agreement; 2) license-holder's failure to comply with the licensing body's decision requiring it to eliminate the revealed violations.

Therefore, as provided in the Decree of the President of the Republic of Uzbekistan No.UP-3619 “On measures of further improvement of the system of legal protection of business entities”, dated 14.06.2005, the legal restriction measure in the form of license suspension for the period of more than ten working days is the measure that applies in cases of revealed violation by the licensee of license requirements and terms stipulated in the license agreement, license-holder's failure to comply with the licensing body's decision requiring it to eliminate the revealed violations.

By virtue of article 24 of the Law, the license can be cancelled if: 1) within three months from the notification about the decision on issuance of the license, the licensee failed to submit to the licensing body the proof of payment of the state duty for the issuance of the

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<sup>37</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2000, № 5-6, p. 142.

license, or failed to sign the license agreement; 2) the licensee submits requests for annulment of the license; 3) it becomes known that the license was obtained based on forged documents. Moreover, this article provides that the annulment of a license is made by the court decision only in cases of revealed forgery of license documents. Consequently, annulment of a license represents the measure of legal restriction applied in cases of obtaining the license based on forged documents.

### **Chapter 3. Types of legal restriction measures imposed on business entities under the administrative procedure**

According to provisions of article 40<sup>1</sup> of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity”, the following are the measures of legal restriction applied to business entities under the administrative procedure: 1) restriction, suspension of activity for more than ten working days in connection with prevention of emergency situations, epidemics and other real threats to life and health of the population; 2) suspension of operations with bank accounts in cases stipulated by the law; 3) imposition of financial sanctions in the form of penalties for late payments on taxes and other mandatory payments, as well as in cases of admission of guilt by an entity or an individual in committed violations of the law and voluntary payment of financial sanctions; 4) suspension for a period of less than ten working days of the license (permit) for certain types of entrepreneurial activity, and suspension, termination and annulment of licenses (permits), issued by the Cabinet of Ministers and the Central Bank of the Republic of Uzbekistan.

Let us review each of the abovementioned types of legal restriction measures separately.

As a general rule, restriction and suspension of business entity's activity can be made only under the judicial procedure. However, restriction and suspension of the activity for not more than ten working



days in connection with prevention of emergency situations, epidemics and other real threats for life and health of the population are excluded from the above rule. The definition of emergency situations is provided in article 3 of the Law of the Republic of Uzbekistan “On rescue service and status of rescuer”<sup>38</sup>.

In certain cases, however, the legislation of the Republic of Uzbekistan permits the out-of-court suspension of operations with bank accounts. Accordingly, by virtue of article 9 of the Law of the Republic of Uzbekistan “On fight against legalization of income derived from criminal activity and financing of the terrorism”<sup>39</sup> the specially authorized state body on combat against legalization of income derived from criminal activity (Department on taxation, currency crimes and legalization of criminal incomes under the General Prosecutor’s Office of the Republic of Uzbekistan) and financing of the terrorism, has the right to instruct on suspension of operations with monetary assets and other property for the period of not more than two working days, given that the information it obtained regarding such operations was justified upon the results of inspection.

The legislation provides another exception from the general rule on judicial imposition of suspension of operations with bank accounts. Accordingly, pursuant to article 5 of the Law of the Republic of Uzbekistan “On state tax services”, the suspension of operations with taxpayer bank accounts is carried out based on decisions of tax authorities in cases of: 1) legal person’s failure to submit tax and (or) financial reports within fifteen days following the expiration of the prescribed submission period; 2) legal person-taxpayer’s non-existence at the declared address.

Imposition of financial sanctions in the form of penalties for overdue tax payments and other mandatory payments, as well as in cases of admission by a business entity of its guilt in a committed violation and voluntary repayment of financial sanctions, can be made in the

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<sup>38</sup> Bulletin of the chambers of Oliy Majlis of the Republic of Uzbekistan, 2008, № 12, p. 638.

<sup>39</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2004, № 9, p. 160.

out-of-court procedure, as provided in article 40 of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” and the Decree of the President of the Republic of Uzbekistan No.UP-3619, “On measures of further improvement of the system of legal protection of business entities”, dated 14.06.2005

Unlike the general procedural framework that requires suspension for more than ten working days, termination and annulment of license (permit) for certain types of entrepreneurial activities to be made only under the judicial procedure, the suspension, termination and annulment of licenses issued by the Cabinet of the Ministers and the Central bank of the Republic of Uzbekistan is made in the out-of-court procedure. Suspension of licenses (permits) for certain types of entrepreneurial activities for less than ten working days is also made in the out-of-court procedure.

## **Chapter 4. Judicial and administrative procedures of imposition of measures of legal restriction on business entities**

**In fact, introduction of the judicial procedure of imposition of measures of legal restriction to business entities makes it difficult to impose such measures for state bodies carrying out control over business entities' compliance with the legislation.**

**According to article 44 of the Constitution of the Republic of Uzbekistan<sup>40</sup> and articles 1 and 3 of the Law of the Republic of Uzbekistan "On appealing to the court against actions and decisions violating citizens' rights and freedoms",<sup>41</sup> business entities may appeal to the court against any actions (omissions), acts of state bodies, enterprises, institutions, organizations, public associations, public authorities or officials, violating rights and legal interests of entrepreneurs.**

**The administrative procedure of imposition of legal restriction measures to business entities is regulated by a number of normative-legal acts based on the character of the imposed measure and the area of legislation, violation of which leads to their imposition.**

According to item 5 of the resolution of the Supreme Court of the Republic of Uzbekistan and Supreme economic court of the Republic of Uzbekistan No.12/149 "On issues related to application of the legislation of the Republic of Uzbekistan aimed at improving the system of legal protection and liberalization of financial liability of business entities", the cases on imposition of legal restriction measures to business entities in connection with their business activity are considered by the economic courts in accordance with chapter 20<sup>3</sup> of the EPC regulating

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<sup>40</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1994, № 1, p. 5.

<sup>41</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1995, № 9, p. 183.

imposition of legal restriction measures and in accordance with the general rules of judicial proceedings, while criminal courts consider them in accordance with the rules of administrative judicial proceedings.

According to article 155 of the Economic Procedure Code of the Republic of Uzbekistan, the claim on imposition of legal restriction measures is submitted to the economic court in written form and signed by the claimant or his representative. The claim shall indicate, in particular, the name of the controlling body that discovered the violation, the circumstances, based on which the claim is being made, the evidence confirming the basis of the claim, the normative-legal acts establishing liability for actions (omissions) of an entity or an individual that serve as legal ground for applying to the economic court.

The Economic Procedure Code of the Republic of Uzbekistan provides a list of supplemental documents that must be attached to the claim on imposition of legal restriction measures. In particular, according to article 155<sup>15</sup> of the Code, apart from the documents stipulated in article 114 of the Code, the claim must be supplied with duly notarized copies of founding documents and certificate of state registration, the evidence confirming the violation by an entity or an individual of legislative requirements serving as the ground for restriction, suspension and prohibition of the activity.

By virtue of article 155<sup>17</sup> of the Economic Procedure Code of the Republic of Uzbekistan, a case on imposition of legal restriction measures must be considered within the period not exceeding fifteen days from the date of resolution on preparation of the case for trial, except for cases on imposition of financial sanctions that shall be considered not earlier than a month after submission of the claim to the economic court.

During the trial of the case on imposition of legal restriction measures, the court determines whether the violation and the fact of its commitment have really taken place, whether the grounds for inspection and preparation of act of inspection or other document based on the results of the inspection existed, the competence of the controlling body, if the legislation provides for liability for such violation and whether there are grounds for imposition of legal restriction measures. During

the trial of the case on imposition of financial sanctions, the economic court also checks the accuracy of calculations of financial sanctions.

It should be noted that a settlement agreement is not permitted in cases on imposition of legal restriction measures to business entities. Based on the results of the case, the economic court either decides in favor imposition of legal restriction measures or rejects the asserted claim.

As mentioned above, cases on imposition of legal restriction measures to business entities in connection with their business activity can be also considered by criminal courts in accordance with rules of administrative judicial procedure. However, item 1 of the Decree of the President of the Republic of Uzbekistan No.UP-3622 “On liberalization of financial liability of business entities for economic violations” dated 24 June 2005, provides that minor violations of business entities committed for the first time and without guilty intent, and that do not result in non-payments to State budget and state special funds, are subject only to administrative responsibility of officials without transfer of materials to judicial bodies. Therefore, in such cases the measures of administrative responsibility are applied by corresponding controlling bodies.

The Regulation “On the procedure of consideration of cases and imposition of sanctions for violations of the legislation on the securities market” (reg. No.1113, dated 23.04.2002),<sup>43</sup> establishes the administrative procedure of consideration of cases and imposition of sanctions for violations of the laws of the Republic of Uzbekistan “On securities market” and “On joint-stock companies and protection of rights of shareholders”<sup>42</sup> and also other normative-legal acts of the Republic of Uzbekistan regulating relations arising on the securities market.

In turn, the Regulation “On the procedure of imposition of fines on legal entities for violations in the area of construction”, approved by the resolution of the Cabinet of Ministers No.404<sup>43</sup>, dated 17.09.2003,

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<sup>42</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1996, № 5-6, p. 61.

<sup>43</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2001, № 1-2, p. 21.

defines the administrative procedure of imposition of fines on legal entities in accordance with the Law of the Republic of Uzbekistan “On liability of legal entities for violations in the area of construction”<sup>44</sup>.

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<sup>44</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2001, № 1-2, p. 21.

### **Section III. Procedure of appeal against actions (decisions) of state bodies and officials on imposition of measures of legal restriction on business entities**

#### **Chapter 1. State bodies and officials authorized to review and handle complaints**

The right to appeal means examination of legality of state body's decisions or actions (omissions) of its officials upon request of the person disagreeing with such decision, action (omission).

Speaking about the appeal procedure against decisions on imposition of measures of legal restriction on business entities by appropriate controlling bodies, it should be noted that the complaint can be alternatively submitted to a higher state authority or to the court.

Article 23 of the Economic Procedure Code of the Republic of Uzbekistan<sup>45</sup> provides that cases on economic disputes arising from civil, administrative and other legal relationships between legal persons, citizens with the status of individual entrepreneurs obtained in the established procedure, are in the jurisdiction of the economic court. Besides, article 24 of the Code clearly provides that disputes on invalidation (in full or in part) of illegal acts of state bodies and public self-management authorities violating the rights and legally protected interests of legal persons and individual entrepreneurs shall be considered by the economic court.

According to article 44 of the Constitution of the Republic of Uzbekistan<sup>46</sup> and articles 1 and 3 of the Law of the Republic of Uzbekistan "On appealing to the court against actions and decisions violating citizens' rights and freedoms business entities may appeal to the court against any actions (omissions), acts of state bodies,

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<sup>45</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1997, № 9, p. 234.

<sup>46</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1994, № 1, p. 5.

enterprises, institutions, organizations, public associations, public self-management authorities or officials, violating rights and legal interests of entrepreneurs. This category of disputes is in the exclusive jurisdiction of the economic court due to the involvement of business entities on one side and state bodies on the other side, as well as also the nature of disputes (disputes arise in the economic sphere in connection with entrepreneurial activity).

Therefore, in case of unlawful imposition of the legal restriction measures on business entities, the latter shall have the right to resort to the court with the appeal for invalidation of the decision (resolution) on imposition of this measure. Obviously, an appeal against a decision on imposition of legal restriction measures must be based on solid arguments, namely: 1) non-compliance with legislative norms; 2) violation by state bodies of the decisions rendering procedure.

In its law suit a business entity has the right to claim compensation of damages caused by unlawful imposition of legal restriction measures. Moreover, the claim may include not only the actual damages but also indirect damages (loss of profit). According to article 15 of the Civil Code of the Republic of Uzbekistan<sup>47</sup>, damages sustained by an individual or a legal person as a result of unlawful actions (omissions) of state bodies, public self-regulatory authorities or their officials, including issuance of acts not in compliance with the legislation, are subject to compensation by the government or public self-regulatory authority.

One of the most important issues of the judicial appeal procedure against a decision on imposition of legal restriction measure is the issue of its suspension. Article 123 of the Tax Code of the Republic of Uzbekistan expressly defines that submission of an appeal to the court suspends until the court decision enters into effect the disputed decision or action, including collection of additionally imposed taxes and other mandatory payments, as well as imposition of financial sanctions.

The procedure of appeal to a higher authority against a decision on imposition of legal restriction measure is regulated by a number of legal

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<sup>47</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1996, supplement № 2.



acts. Accordingly, pursuant to article 124 of the Tax Code of the Republic of Uzbekistan, the appeal against a decision of a state tax body, action or omission of its official, is submitted in written form to the respective higher tax authority.

However, it should be taken into account that the court itself may also breach provisions of material and procedural law while adjudicating a case on imposition of legal restriction measures to business entities, thus resulting in illegality of such measure. The legislation allows business entities to appeal against court decisions on imposition of legal restriction measures.

Accordingly, pursuant to article 155<sup>18</sup> of the Economic Procedure Code of the Republic of Uzbekistan, the economic court decision on imposition of legal restriction measures enters into legal force upon expiration of ten days after its adoption, provided it has not been appealed (protested). In case of appeal (protest), the decision of the economic court, if it is not reversed, enters into legal force from the moment of adoption of the appellate court decision.

The appeal (protest) against the economic court decision on imposition of legal restriction measures is reviewed within fifteen days from the day of submission of the appeal (protest) to the economic court.

## **Chapter 2. Liability measures applied to state officials guilty of unlawful imposition of measures of legal restriction on business entities**

The imposition by the legislation of the Republic of Uzbekistan of respective liability measures for actions impeding lawful business activity contributes to the prevention of different abuses with respect to business entities, in particular preventing cases of illegal imposition of legal restriction measures, and ensures unavailability of liability of guilty officials and protection of rights and legal interests of business entities.

In analyzing the issues of imposition of liability measures on state officials guilty of unlawful imposition of legal restriction measures to business entities, it is necessary to differentiate between procedures of civil, disciplinary, administrative and criminal liability.

**Civil liability.** By virtue of article 38 of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity”<sup>48</sup>, the damage caused to a business entity is subject to compensation in full, including the loss of profit, by the person that caused it. Article 38 of the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” determines that the damage caused to a business entity as a result of unlawful decisions of state bodies, public self-regulatory authorities, is subject to compensation based on the court decision, irrespective of their officials’ guilt.

**Disciplinary liability.** Application by state officials of legal restriction measures in the absence of legislative grounds or in violation of the established procedure, i.e. improper exercise of their official duties, may result in disciplinary liability of guilty officials.

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<sup>48</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 2000, № 5-6, p. 140.

According to article 181 of the Labor Code of the Republic of Uzbekistan<sup>49</sup>, an employer has the right to apply the following disciplinary measures to an employee for violation of labour discipline: 1) reprimand 2) fine in the amount of not more than thirty percent of average monthly wage. Internal labor regulations may provide for imposition of the fine in the amount not exceeding fifty percent of average monthly wage. Retention of the fine from the employee's salary is carried out by the employer in compliance with requirements of article 164 of the Code; 3) termination of labor contract (items 3 and 4 of Para 2 of article 100).

**Administrative responsibility.** It should be noted that the Code of the Republic of Uzbekistan on administrative responsibility<sup>50</sup> provides measures of administrative responsibility for impeding lawful business activity (article 241<sup>1</sup>). Administrative responsibility for this violation was introduced in December 2001. The objective aspect of the violation specified in the mentioned article of the Code, among others, consists of restriction of rights and legal interests of business entities. Unlawful imposition of legal restriction measures is a classic example of such limitation of rights.

**Criminal liability.** In certain cases, state officials guilty of unlawful imposition of legal restriction measures to business entities can be subject to criminal liability pursuant to articles 205 or 206 of the Criminal Code of the Republic of Uzbekistan<sup>51</sup>. Article 205 of the Criminal Code of the Republic of Uzbekistan establishes the liability for the abuse of authority or official powers, i.e. an exercise by the official of its official powers that caused heavy damage or considerable harm to rights and legally protected interests of the citizens, state or public interests. Article 206 of the Criminal Code of the Republic of Uzbekistan establishes criminal liability for the abuse of authority or official powers, i.e. actions of the official beyond its granted authority

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<sup>49</sup> Bulletin of Oliy Majlis of the Republic of Uzbekistan, 1996, supplement № 1.

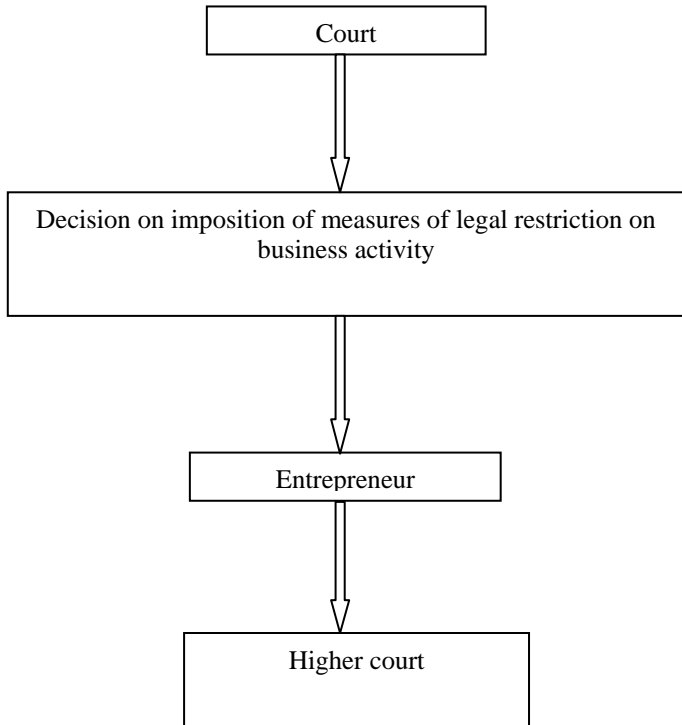
<sup>50</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1995, № 3.

<sup>51</sup> Bulletin of the Supreme Council of the Republic of Uzbekistan, 1995, № 1.

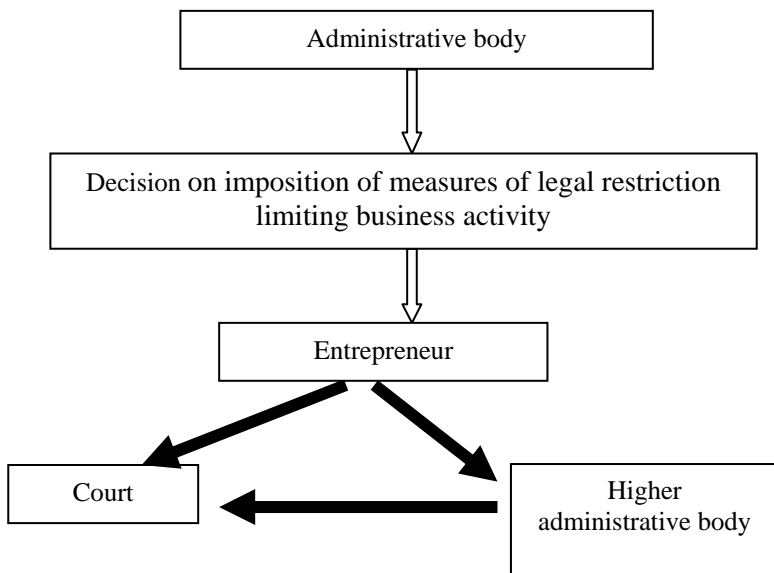
under the law, and that caused heavy damage or considerable harm to the rights and legally protected interests of the citizens, state or public interests.

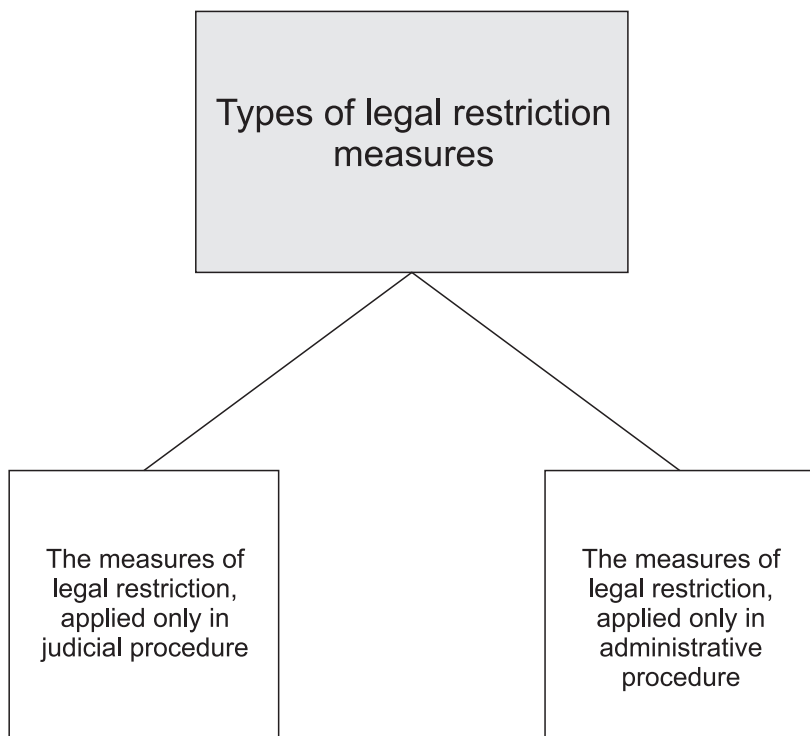
## SCHEMES

### **Appeal procedure against court decisions on imposition of measures of legal restriction on business activity**

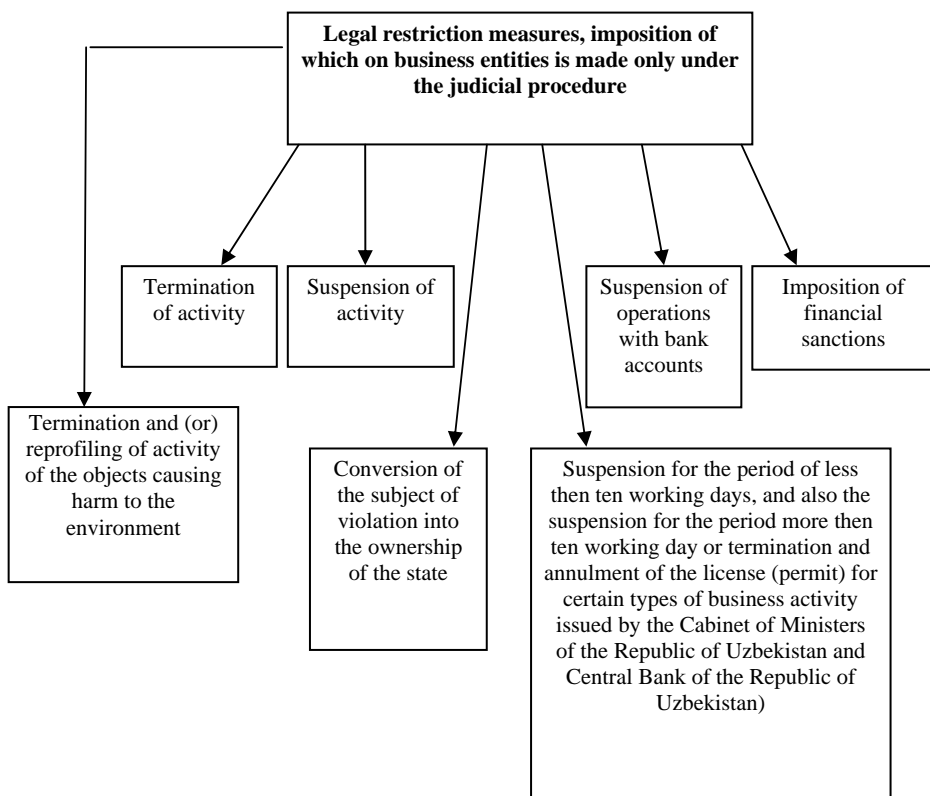


**Appeal procedure against decisions of state officials on  
imposition of measures of legal restriction limiting business  
activity**



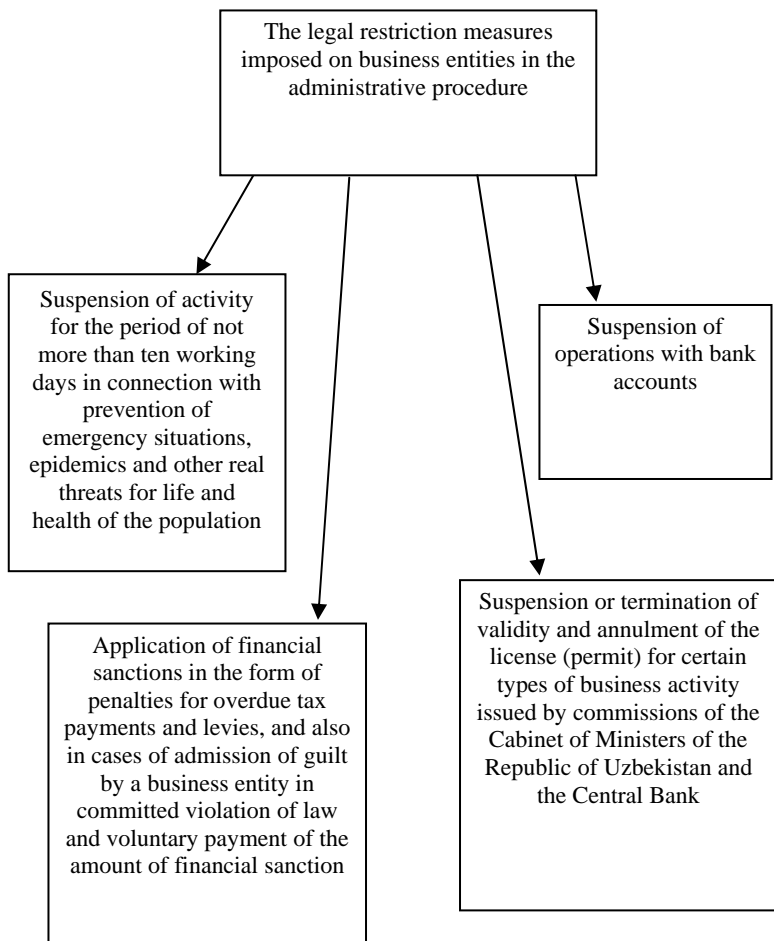


(Scheme: Types of legal restriction measures)



(Scheme: The measures of legal restriction applied only under the judicial procedure)





(Scheme: Legal restriction measures applied in the administrative procedure)

## The proceedings of the cases on applying the legal leverage measures

### **SUBMISSION of claim:**

The statement of claim is submitted to the economic court by the controlling body

### **Notices and summons for the case on application of the measures of legal leverage**

The economic court notifies the persons participating in the case on time and venue of the court session in the procedure established by the present Code. However, the court has the right to oblige the claimant to notify the defendant on time and venue of the court session. Absence of the mentioned persons, properly notified on time and venue of the court session, shall not be an obstruction for considering the case, if the court has not found their attendance as compulsory

### **Court proceeding on the case of application of legal leverage measures**

The case on application of legal leverage measures shall be considered in the period not exceeding fifteen days after the rendering of ruling on preparation of the case for the court proceedings, except the cases on application of financial sanctions, which are considered not earlier than a month after submission of the claim to the economic court. The amicable settlement is not allowed for the case on application of the measures of legal leverage

### **The decision of the Economic court on the case of application of legal leverage measures**

The decision of on the case of application of legal leverage measures shall be adopted by the Economic court according to the rules, established by the Economic Procedural Code

(Scheme: Judicial proceedings on cases on imposition of legal restriction measures)

## Chapter VI. Liquidation of business entity

### Section 1. General concepts of liquidation of business entities

**Liquidation** is a termination of a business entity's activity made pursuant to a decision of the owner of its property or state body authorized to register such entities, or by the court decision. (See Article 48 of the Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity")

**“Liquidation** of legal person results in its termination without succession by other persons in its rights and obligations.

A legal person can be liquidated:

**By the decision of its founders** (participants) or corporate body so authorized by the founding documents, including due to the expiration of legal entity's validity period, achievement of its main goals, or declaration by the court of its registration as illegal in connection with committed violations of law at the time of its foundation, provided such violations are incurable.

**By the court decision** - in case of activity without a permit (license) or illegal activity, or in the absence of financial-economic activity with monetary operations on bank accounts within six months (for trade and trade-intermediary enterprises – within three months), except for dekhkan and farming enterprises, and (or) failure to form its charter capital in the size provided in the founding documents within one year after the state registration, unless otherwise provided in the legislation, and in other cases stipulated by the present Code” (Article 53 of the Civil Code of the Republic of Uzbekistan).

### Section 2. Types of liquidation of business entities

According to the Law of the Republic of Uzbekistan “On guarantees of freedom of entrepreneurial activity” and the Regulation “On the

procedure of voluntary liquidation and termination of economic activity of business entities”, the liquidation of business entities can be:

- Voluntary;
- Involuntary;

As an example, we elaborate partly on the procedure of voluntary liquidation.

The decision on **voluntary liquidation of a business entity** is made by the founders in the manner established by normative-legal acts. The decision shall indicate a liquidator or a liquidation commission.

From the moment of appointment of a liquidator, all managerial authorities over the enterprise pass to the liquidator.

### **Liquidator:**

- “carries out the voluntary liquidation and ensures protection of interests of the creditors, founders (participants) of an enterprise and other interested persons;
- Represents the enterprise, signs the financial, payment and other documents of the enterprise without power of attorney;
- issues orders, instructions and other acts mandatory for all officials and employees of the enterprise;
- Resolves the issues within his statutory authorities, and exercises other authorities granted by the founders (participants).

Not later than the next working day following the decision on voluntary liquidation, the liquidator sends to:

- registering state body – a copy of the decision on voluntary liquidation;
- servicing bank of its main deposit account (hereafter – main account) and authorized bank that holds the enterprise’s foreign currency:
  - copy of the decision on voluntary liquidation;
  - two notarized copies of signature samples cards and a print of the liquidator’s seal;
- servicing banks of its secondary deposit accounts, savings deposit accounts and fixed-term deposit accounts in national currency –

application-order on their closure and transfer of remaining resources to its main account in national currency;

- servicing banks of its main deposit accounts, savings deposit accounts and fixed-term deposit accounts in foreign currency – application-order on their closure and transfer of remaining resources to its deposit account in foreign currency opened at the place of its main account in national currency or deposit account in foreign currency in another authorized bank, if the bank operating its main account is not the authorized bank”.

**The liquidator’s authorities terminate in the following instances:**

- “upon completion of the voluntary liquidation – on the day of the record on the enterprise’s liquidation by the registering body in the respective state register;

- upon resumption of the enterprise’s activity – on the day of the decision on discontinuation of liquidation proceedings and resumption of the enterprise’s activity;

- upon declaration of the enterprise as bankrupt – on the day of the court decision on bankruptcy and opening of liquidation proceedings;

- upon appointment of a new liquidator – on the day of corresponding decision by the founders (participants). In this case all documentation, seals, stamps and other property of the enterprise is listed and transferred to the newly appointed liquidator within two days period”. (Section II of the Regulation “On the procedure of voluntary liquidation and termination of activity of business entities”).

An enterprise is considered liquidated, and the individual entrepreneur as having terminated his activity after a record is made in the corresponding state register of the registering body. Founders (participants) of an enterprise, individual entrepreneurs have the right at any stage of the liquidation to decide on resumption of the activity and termination of the liquidation process.

In case of absence of financial-economic activity with monetary operations on bank accounts, commercial banks inform tax authorities at the place of business entity’s registration.

The tax authority sends inquiries on practicability of further activity of an enterprise to the corresponding territorial special commission on liquidation of enterprises. In case of the special commission's conclusion on impracticability of further activity of the enterprise, the tax authority within three days period sends such conclusion to the registering body along with petition on liquidation of the enterprise.

“Within a week from the day of receipt of the tax authority's petition and the special commission's conclusion, the registering body makes a written proposal (indicating the reasons) to the founders to perform voluntary liquidation of an enterprise. If the enterprise did not begin the voluntary liquidation within two weeks period, the registering body sends a petition to the economic court requesting liquidation of the enterprise. If the court takes a decision on liquidation of the enterprise, a special commission carries out liquidation proceedings upon its instruction”. (Section III of the Regulation “On liquidation of enterprises not carrying out financial – economic activity and that failed to form their charter capitals in the established timeframes”).

## **Section 3. Voluntary liquidation**

### **Chapter 1. Procedure of voluntary liquidation of enterprises carrying out financial-economic activity**

“As it was mentioned above, voluntary liquidation of enterprises carrying out financial-economic activity is performed by the decision of the founder (s) and, for this purpose, the decision shall indicate a liquidator or a liquidation commission. Not later than the next working day following the decision on voluntary liquidation, the liquidator sends to:

- registering body – a copy of the decision on voluntary liquidation;
- servicing bank of its main deposit account (hereafter – main account) and authorized bank that holds the enterprise’s foreign currency:

- copy of the decision on voluntary liquidation;
- two notarized copies of signature samples cards and a print of the liquidator’s seal;

- servicing banks of its secondary deposit accounts, savings deposit accounts and fixed-term deposit accounts in national currency – application-order on their closure and transfer of remaining resources to its main account in national currency;

- servicing banks of its main deposit accounts, savings deposit accounts and fixed-term deposit accounts in foreign currency – application-order on their closure and transfer of remaining resources to its deposit account in foreign currency opened at the place of its main account in national currency or deposit account in foreign currency in another authorized bank, if the bank operating its main account is not the authorized bank”.

The registering body and the banks must confirm in written form the receipt of the documents.

Upon decision on voluntary liquidation, the liquidator:

- takes measures on termination of legal relationship with employees of an enterprise in the procedure established by the legislation;

- executes inventory of the enterprise's assets and obligations in the procedure established by the legislation;

- performs calculations for all types of taxes and other mandatory payments applicable to the enterprise that accrued from the beginning of the year until the date of notification to the registering body on voluntary liquidation;

- takes measures on collection of the enterprise's receivables, and also on identifying and informing creditors in written form and with confirmation of delivery (a mark on receipt date, postal receipt, written or electronic message etc.) about the liquidation of the enterprise,;

organizes publication of the liquidation announcement in one or more periodicals with indication of:

- full and abbreviated name of the enterprise (as well as all enterprise's full and abbreviated names changed within the year preceding the liquidation);
- location (postal address), taxpayer identification number of the enterprise;
- information on the registration date and the registering body (name and address);
- information on the decision on voluntary liquidation (date, number);
- period of acceptance of creditor claims, which shall not be less than two months from the moment of publication of the mentioned announcement.

Within five working days from the approval of the interim liquidation balance sheet, the liquidator notifies each creditor in written form with confirmation of delivery (a mark on receipt date, postal receipt, written or electronic message etc.) about the acceptance or refusal of the claim, the amount of the accepted claim.

**“According to the interim liquidation balance sheet, starting from the day of its approval, the liquidator carries out monetary payments to the creditors in the following priority:**

- *First priority* - claims of citizens arising from labor relations, collection of alimony and payment of royalties under copyright contracts, and the claims of citizens that the enterprise is liable to for



caused harm to life and health, by adding up corresponding periodic payments;

- *Second priority* –payments to state budget, state special funds and non-budget school education Fund;

- *Third priority* - claims of other creditors.

Satisfaction of creditor's claims secured by a pledge (mortgage) is made from the proceeds received from the sale of the pledged property (subject of pledge) of an enterprise in the established procedure. The remainder of such proceeds is assigned for satisfaction of creditor's claims in the established priority.

If the amount of proceeds from the sale of the pledged (mortgaged) property is insufficient to fully satisfy secured creditor's claims, then the remaining claims shall be satisfied in the order of priority.

In case of insufficiency of monetary assets to cover creditor's claims, the liquidator may:

- engage an independent appraiser to determine market value of the property;

- organize the sale of the enterprise's property on public auctions.

The sale of limited recourse property is carried out through closed auctions with participation of persons that, according to the law, may have ownership or other property rights to the specified property.

A property unsold within two months from the date of auction sales shall be offered to the creditors at the price of the appraisal and in order of priority".

"The liquidator prepares the draft liquidation balance sheet upon:

- completion of settlements with the creditors;

- payment of tax and other obligatory payments, financial sanctions, including those based on results of an inspection;

- distribution of the enterprise's property among the founders (participants) that have property rights to this property or rights of obligation to this enterprise.

The liquidation balance sheet is approved by the founders (participants) of the enterprise and is submitted to the tax authorities. Within one working day from the date of receipt of the liquidation balance sheet, the tax authority must provide the liquidator with a certificate confirming the absence of outstanding taxes and other

mandatory payments, provided that the enterprise has no outstanding taxes and other mandatory payments.

Upon receipt of the certificate from the tax authority on the absence of outstanding taxes and other mandatory payments, the liquidator submits to the servicing bank of the enterprise's main account an application-order requesting to close the account. Within one working day the bank closes the account of the enterprise and provides the liquidator with the account closure certificate.

Within three working days after the closure of the main account the liquidator submits to the state archive all accounting and other documentation of the enterprise, as required by the legislation."

"To remove the enterprise from the state register the liquidator submits or sends the following documents to the registering body:

- announcement on voluntary liquidation of the enterprise published in one or more periodicals;
- certificate of state registration;
- certificates from servicing banks confirming the closure of all accounts of the enterprise;
- seals and the stamps of the enterprise;
- certificate from an authorized body on cancellation of issued securities, if there are any;
- originals of existing licenses (permits);
- certificate from the tax authority on the absence of outstanding taxes and other mandatory payments;
- certificate confirming submission of the documents of the enterprise to state archive"

"Within one working day after its adoption, the registering body's decision is issued or sent by post to the liquidator. Consequently, in case of refusal, all received documents, seals and stamps are returned to the liquidator along with the decision.

It is important to take into account that the refusal may occur in the following cases:

- incomplete submission of the documents (the announcement on the enterprise's voluntary liquidation published in one or more periodicals; certificate of state registration; certificates from servicing banks on

confirming the closure of all accounts of the enterprise; seals and stamps of the enterprise etc.);

- existence of creditor's claims;
- negative reply from the tax authority to the registering body's request to confirm the absence of financial-economic activity by the enterprise from the moment of its state registration;
- non-confirmation by the tax authority of the enterprise's failure to open the main account in the bank".

"Within one week upon entering the record on the enterprise's liquidation into the state register, the registering body shall:

- inform tax authorities and statistics bodies about the liquidation of the enterprise;
- deliver seals and stamps of the liquidated enterprise to the ministry of internal affairs for destruction;
- delivers the enterprise's licenses and permits (if any) to the licensing bodies that have issued them (if they exist);
- informs a branch of the People's bank of the Republic of Uzbekistan at the place of the enterprise's location about its liquidation".

"The aggregate period of voluntary liquidation of a business entity (legal person) shall not exceed nine months from the day of notification of the registering body about the decision on voluntary liquidation. If the complete set of documents is not submitted to the registration body before the expiration of the indicated period, the voluntary liquidation shall be terminated. The registering body within one day period informs the tax authority and statistics bodies about the termination of voluntary liquidation.

In case of non-completion of voluntary liquidation in time, as well as in case of termination of voluntary liquidation and resumption of the enterprise's activity, the privileges do not apply and all corresponding payments are collected in full for the period of their suspension". (Section III of the Regulation "On the procedure of voluntary liquidation and termination of activity of business entities").

## **Chapter 2. Procedure of voluntary liquidation of enterprises not carrying out financial-economic activity following their state registration**

The voluntary liquidation of enterprises not carrying out financial-economic activity following their state registration is executed on the basis of the Regulation “On the procedure of voluntary liquidation and termination of activity of business entities”.

**“Not later than the following working day after the decision on voluntary liquidation, the liquidator sends to:**

a) registering body – a copy of the decision on voluntary liquidation, which shall contain information about non-performance of the financial-economic activity by the enterprise after its state registration;

b) servicing bank of its main deposit account (hereafter – main account) and authorized bank that holds the enterprise’s foreign currency:

- copy of the decision on voluntary liquidation;
- two notarized copies of signature samples cards and a print of the liquidator’s seal;

c) servicing banks of its secondary deposit accounts, savings deposit accounts and fixed-term deposit accounts in national currency – application-order on their closure and transfer of remaining resources to its main account in national currency;

d) servicing banks of its main deposit accounts, savings deposit accounts and fixed-term deposit accounts in foreign currency – application-order on their closure and transfer of remaining resources to its deposit account in foreign currency opened at the place of its main account in national currency or deposit account in foreign currency in another authorized bank, if the bank operating its main account is not the authorized bank”. (Section IV items 39-40 of the Regulation “On the procedure of voluntary liquidation and termination of activity of business entities”).

The registering body and the banks must confirm in written form the receipt of the documents. The receipt of the mentioned documents is confirmed by the following: a note of the registering body and the bank on the date of receipt of the documents, their written or electronic message to the liquidator, postal receipt confirming shipment of the documents to the registering body or the bank etc.

**From the date of notification of:**

- a) the registering body, it is prohibited to:
  - introduce changes or amendments into founding documents;
  - execute transactions related to alienation of property or resulting in transfer of property for the use by third parties;
- b) the servicing banks of main and secondary deposit accounts in national and foreign currencies – withdrawals from the enterprise's accounts in national and foreign currencies are allowed only upon instructions of the liquidator in the established procedure.

Also the enterprise's all secondary deposit, savings and fixed-term deposit accounts are closed:

- in national currency – with the transfer of the remainder to the enterprise's main account;
- in foreign currency – with the transfer of the remainder to the enterprise's deposit account in foreign currency, held at the place of the main account on national currency, or to the deposit account in foreign currency in another authorized bank, if the bank operating its main account is not the authorized bank.

Upon decision on voluntary liquidation, the liquidator:

- a) takes measures on termination of legal relationship with employees of an enterprise in the procedure established by the legislation;
- b) executes inventory of the enterprise's assets and obligations in the procedure established by the legislation;
- c) organizes publication of the liquidation announcement in one or more periodicals with indication of:
  - full and abbreviated name of the enterprise (as well as all enterprise's full and abbreviated names changed within the year preceding the liquidation);
  - location (postal address), taxpayer identification number of the enterprise;

- information on the registration date and the registering body (name and address);
- information on the decision on voluntary liquidation (date, number);
- period of acceptance of creditor claims, which shall not be less than two months from the moment of publication of the mentioned announcement.

**“The registering body**, not later than the following day after receiving a copy of the decision on voluntary liquidation of the enterprise, puts in the state register of legal persons a note that the enterprise is in the process of voluntary liquidation and informs internal affairs bodies, state tax and statistics authorities at the place of state registration of the enterprise.

**The internal affairs body** of the enterprise’s place of state registration, not later than ten days after receiving from the registering body the information on voluntary liquidation of the enterprise, informs it about all permits granted to the enterprise for preparation of corporate seals and stamps bearing the name of the enterprise.

**To remove the enterprise from the state register**, the liquidator submits or sends the following documents to the registering body not earlier than one month after the publication of the announcement on voluntary liquidation:

- announcement on voluntary liquidation of the enterprise published in one or more periodicals;
- certificate of state registration;
- letter confirming that no accounts have been opened in banks or a bank’s certificate closure of the main account, if any;
- decision of founders on distribution of property among them;
- seals and the stamps of the enterprise;
- certificate confirming submission of the documents of the enterprise to state archive.

Not later than following working day from the receipt of the documents, the registering body sends an inquiry to the state tax authority at the place of the enterprise’s state registration to confirm the following:

- absence of financial-economic activity by the enterprise following its state registration. The tax authority must provide its response within two working days from the date of the inquiry;

- that the enterprise has not opened a bank account – upon availability of a letter, among the submitted documents, stating that no accounts have been opened in banks. The tax authority must provide its response within two weeks from the date of the inquiry.

In the absence of creditor's claims, the registering body, within two working days upon occurrence of one of the following dates, makes a record in the state register on liquidation of the enterprise:

- date of receipt of all documents, upon availability, among the submitted documents, of a bank certificate confirming the closure of the main account;

- date of receipt of the confirmation from the tax authority on the enterprise's non-opening of the main bank account – in presence of the liquidator's letter, among the submitted documents, on non-opening of the main account.

The registering body may refuse to make the record in the state register on liquidation of the enterprise in the following cases:

- submission of incomplete package of documents;

- existence of creditor's claims;

- negative reply from the tax authority to the registering body's request to confirm the absence of financial-economic activity by the enterprise from the moment of its state registration;

- non-confirmation by the tax authority of the enterprise's failure to open the main account in the bank.

Within one working day after its adoption, the registering body's decision is issued or sent by post to the liquidator. Consequently, in case of refusal, all received documents, seals and stamps are returned to the liquidator along with the decision.

The refusal of the registering body is also possible in abovementioned cases (submission of incomplete package of documents; existence of creditor's claims; non-confirmation by the tax authorities of the failure by the enterprise to open the main bank account etc.)

Within one week period upon the record in the state register on liquidation of the enterprise, the registering:

- inform tax authorities and statistics bodies about the liquidation of the enterprise;
- deliver seals and stamps of the liquidated enterprise to the ministry of internal affairs for destruction;
- informs a branch of the People's bank of the Republic of Uzbekistan at the place of the enterprise's location about its liquidation.

**Voluntary termination of activity of a business entity - individual person is made based on its application submitted to the registering body.**

If an individual entrepreneur submits a letter about its failure to open bank accounts, the registering body, not later than the following day after receipt of the letter, sends an inquiry to the tax authority at the place of entrepreneur's state registration seeking to confirm the non-opening of the accounts. The tax authority must provide its response within two days from the date of the inquiry.

The registering body's decision on putting into the state register of a record on the termination of activity of an individual entrepreneur is handed in person or sent by post to the entrepreneur within one working day after its adoption.

Termination of activity as a business entity does not release the individual person from liabilities to creditors related to its entrepreneurial activity.

Founders (participants) of an enterprise, the individual entrepreneur, the liquidator bear responsibility for the accuracy and conformity with the laws of the prepared documents submitted to the registering body and the tax authority". (Items 49-60 of the Regulation "On the procedure of voluntary liquidation and termination of activity of business entities").



## **Section 4. Involuntary liquidation**

### **Chapter 1. Distinctive characteristics of involuntary liquidation of enterprises not carrying out financial-economic activity following the state registration.**

“A special commission created by the court takes the following actions when deciding on liquidation of an enterprise that failed to carry out financial-economic activity following its state registration:

- publishes in press an announcement on the liquidation;
- closes bank accounts;
- delivers corporate seal and stamp to the internal affairs bodies for destruction;
- petitions to the registering body with the request to remove enterprise from state register.

The special commission may consist of third party participants, as well as participants of the company, provided that the latter are required by the court to participate in such commission. The commission is a temporarily acting body.

The removal by the registration body of the enterprise from the state register can be performed not earlier than one month after publishing the announcement on liquidation of the enterprise and submission of the following documents:

- application for removal of the enterprise from the legal persons state register due to its liquidation;
- economic court's decision on liquidation of the enterprise;
- certificate of state registration;
- document from a bank confirming the closure of a special account without the right to use and closure of a special force majeure account;
- document of the corresponding internal affairs body confirming the delivery of seals and stamps of the enterprise for destruction;
- certificate of the tax authority on the absence of financial-economic activity following the state registration;
- document confirming publication in mass media of the announcement on liquidation of the enterprise;

- liquidation balance sheet certified by the tax authority;
- certificates confirming the delivery of the documents of the enterprise to the state archive”. (Section IV of the Regulation “On the procedure of liquidation of enterprises that do not carry out financial-economic activity and failed to form their charter capitals in the established timeframes”)

## **Chapter 2. Distinctive characteristics of liquidation of enterprises in the absence of their founders.**

“For enterprises, founders of which are absent, registration bodies publish in press announcements about initiation by them of the liquidation process of enterprises and simultaneously sends the corresponding information to:

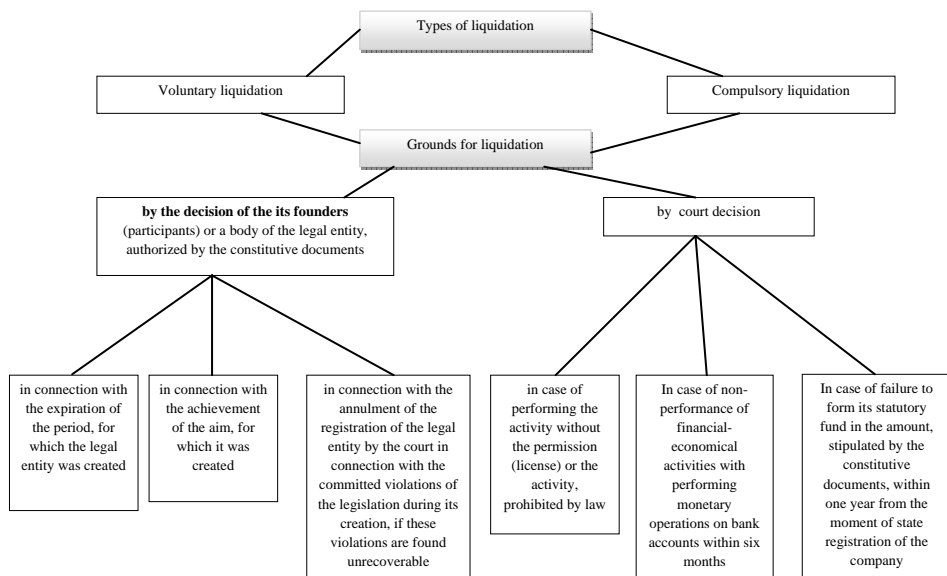
- internal affairs bodies that take measures to search for founders and officials;

- banking institutions servicing these enterprises, for the purpose of closing their bank accounts in the established procedure.

In case if the founders (participants) do not appear or are not found within three months period, the registration body within a week petitions to the economic court with a claim on liquidation of the enterprise. If the economic court decides on liquidation of the enterprise, upon its instructions the liquidation proceedings are carried out by the territorial special commission.

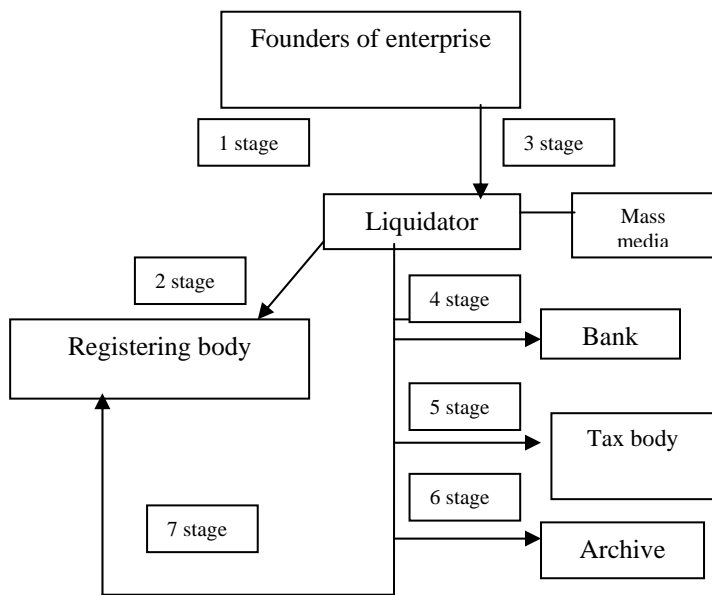
The property remaining upon completion of the liquidation process of the enterprise is registered by the corresponding body as ownerless property. In case of remaining monetary assets upon the completion of the liquidation process, they are used by the special commission to cover the storage of the property. The storage period shall not exceed three years from the completion of the liquidation process. In the absence of monetary assets or if they are finished during the three years storage period, the property shall be removed from the storage and sold. Proceeds of such sale, except for operating expenses, are transferred to a special bank account opened for such purposes. The above funds are a property of absent founders (participants) and are transferred to a local state budget not earlier than three years from the moment of liquidation of the enterprise”. (Section V of the Regulation “On the procedure of liquidation of enterprises that do not carry out financial-economic activity and failed to form their charter capitals in the established timeframes”).

## General scheme

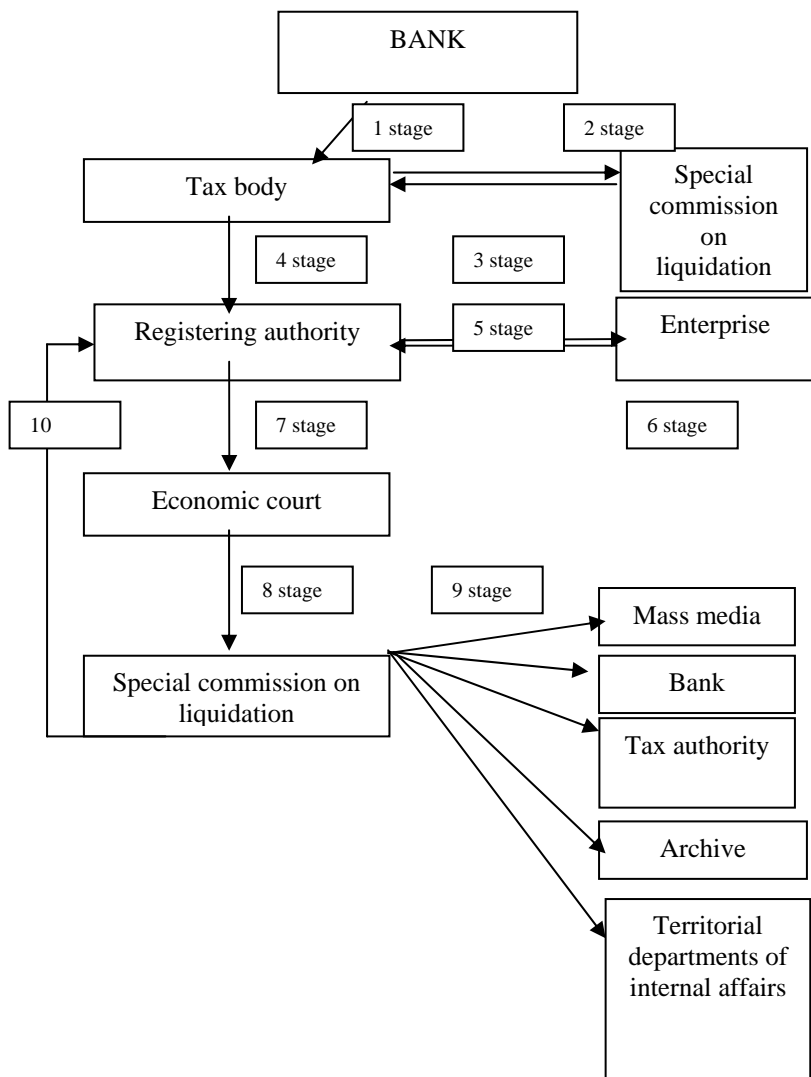


(Scheme: Types of and grounds for liquidation)

## 1. Scheme of voluntary liquidation of economic entities



## 2. Scheme of involuntary liquidation of an economic entity



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Reporting on financial position of an enterprise

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Legal restriction measures, applied to business entities activity in administrative procedure

Procedure of appealing against the court decisions on implementing the measures, restricting the entrepreneurial activity

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#### **Schemes:**

Procedure of voluntary liquidation of business entities

Procedure of involuntary liquidation of business entities

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