

PwC Eurasia Legal

Legal Newsletter

December 2023



PwC Legal provides a broad range of legal services in Kazakhstan, Azerbaijan, Armenia, Georgia, Mongolia and Uzbekistan, which are complementary to our Assurance, Advisory and Tax practices. Below we outline significant legislative changes for December in these countries.

Kazakhstan

The amendments to the Rules for formation of individual identification numbers are approved

On 23 December 2023 the President signed the law, introducing amendments to certain legal acts, regulating the activities of State Enterprise “Government for Citizens” NJSC, Astana Hub and dactyloscopy registration. The amendments, among others, establish the requirement of personal application to the registration authorities to obtain individual identification numbers for foreigners and stateless persons.

Azerbaijan

The mechanism for debt-equity swaps has been determined for both Limited Liability Companies and Joint-Stock Companies

In accordance with the Law Amending the Civil Code of the Republic of Azerbaijan, dated 5 December 2023, debt obligations can be converted into equity ownership. The law provides that both persons (i.e. both physical and legal entities) who have monetary claims against a company may, upon a unanimous decision of the participants of a limited liability company (a two-thirds majority of the shareholders of a limited liability company), be exempted from the obligation to contribute to the charter capital of a limited liability company (to pay for the shares of a limited liability company) by settling the monetary claims and becoming a participant of the limited liability company (a shareholder of a limited liability company).

Pursuant to amendment if the unpaid losses of a company resulting from its economic activity exceed its authorized capital, the debt-equity swap mechanism may be applied. This allows for the difference between the excess amount and the amount of debt to be offset with the participation share (additional issued share) to be removed through the placement of additional shares (issuance of additional shares). This amendment will come into effect on 1 January 2024.

Georgia

Law on Tourism

On 15 December 2023 the Parliament adopted the Law on Tourism at the final third hearing. The primary objective of the law is to establish a robust legal framework laying the foundation for the further development of the tourism sector. The law regulates the main components related to the management of tourism, ensures development of the tourism service quality and competition in the field.

The new law introduces following key changes:

- The companies carrying out tourism activities shall register at the registrar of economic activities of Georgia.
- Tour operators and providers of combined travel contracts are required to provide tourists with appropriate liability insurance or bank guarantee.
- The law also regulates high-risk tourist services, such as skiing and alpine hiking activities. The specifics of high-risk tourist services/activities and their implementation will be further regulated by the government.
- The law introduces a new concept of the tourist guide's identification mark. The government will determine tourist places, where the provision of tourist guide services will be allowed only by the guides with identification marks.

The main part of the law will come into force on 31 December 2024, while the remaining provisions will become effective on 1 June 2026 and 2027.

Law on Conversion into Securities

On 15 December 2023 the Parliament adopted the Law on Conversion into Securities at the final third hearing. The introduction of the law was necessitated by the ineffectiveness of the legal framework, which did not regulate issues related to the securitization or investing into such financial instruments.

It is noted in the explanatory note to the law that the securitization enables the initiators to remove from its balance sheet the underlying assets in order to raise funds. This process grants investors access to assets that were previously illiquid, while allowing the initiators to raise funds based on these previously illiquid assets.

The law regulates, *inter alia*, issues related to the creation, operation and liquidation of the securitization special purpose vehicle and its authorization by the National Bank of Georgia (NBG), securitization fund, the sending of notice to the NBG regarding the securitization etc. The law will come into force on 1 April 2024.

Mongolia

The revised Law on Public Procurement became effective from 1 January 2024

The revised Law on Procurement of Goods, Works and Services with State and Local Funds (the “**Public Procurement Law**”) entered into force on 1 January 2024 with the purpose of increasing efficiency and transparency in public procurement. We highlight the some of the key changes as below:

- Procuring entities are required to obtain majority of documents and information relating to eligibility of bidders from the public information database instead of asking them from bidders.
- Procuring entities are responsible for disclosing a wide range of information relating to public procurements and bidders on their website or provide upon a request of interested parties depending on the nature of requested information.
- A bidder will be automatically disqualified from the procurement process if the bidder or an authorized representative or the UBO of the bidder has committed a crime of money laundering or corruption.
- Complaints resolution time at each stage of the procurement process has been reduced significantly. For example, procuring entities must review and resolve complaints on the procurement process within 5 working days while it was 10 working days previously. Moreover, the time for resolving complaints on the decision of the procuring entities by the Competition authority and the Ministry of Finance has been reduced from 14 working days to 10 working days.

The minimum wage has been increased from 2024

The National Tripartite Committee of Labor and Social Consensus decided to increase the minimum wage from MNT 550,000 to MNT 660,000 per month which is equal to approximately USD 194. The decision became effective from 1 January 2024.

Uzbekistan

140 Advanced Industrial Enterprises

On 26 December 2023 the Cabinet of Ministers adopted the Resolution on measures to organize the program “140 Advanced Industrial Enterprises” and the “Industrial Mortgage” system (the “**Resolution**”). The Resolution approves the program on industrial enterprises (the “**Program**”), the procedure for selecting large industrial projects, which includes 11 stages, and sets forth the requirements for project selection such as:

- Creation of at least 100 new jobs within the project,
- Import share of the produced goods in the domestic market exceeding 50%,
- Use of next-generation technological equipment in production,
- Preferable implementation territory for the project: low-category areas,
- Preference for industrial projects in collaboration with international brands.

The Resolution also stipulates that projects subsequently included in the Program will be provided with the following financing: the allocation of a 10-year loan in foreign currency at an annual interest rate of 4%, and in the national currency at an annual interest rate of 10%.

The Government approved the initiative on introducing amendments to the medicine related legislation

On 14 December 2023 the Government approved the initiative to introduce amendments to:

- The Law on Medicines dated 17 May 2016;
- The Code on Administrative Offences dated 6 December 1985;
- The Law on Medical Care and Public Services dated 4 March 1996;
- The Law on State Duty dated 27 December 1997;
- The Law on Advertising dated 30 April 1996.

The amendments are aimed to establish more clear and complete legal bases for ensuring circulation of effective, safe, quality and affordable medicines. Key highlights of the proposed changes are as follows:

- The provisions for conducting preclinical studies, clinical trials, registration, and pharmacovigilance systems for medicines have been added and clarified.
- The organization that will carry out examinations and professional observations in the field of state regulation of the circulation of medical products will be defined by the decision of the Government of the Republic of Armenia.
- The changes introduce a parallel system for issuing import permits, specifying the connection with import certification processes. It also outlines grounds for refusing import permits and establishes sanctions in the Code of Administrative Offenses. Mainly, it sets a fine, in the amount of AMD 100,000 (USD 250), for the sale of medicines by an importer without releasing a batch or fulfilling obligations during import certification.
- Expert examination requirements in the processes of issuing permits for advertising medicines have been added.
- Simultaneously, a state fee has been introduced for obtaining permits for advertising both medicines and medical devices, as well as therapeutic methods.

Amendments to the Code on Administrative Offenses dated 6 December 1985

On 1 December 2023 the amendments to the Code on Administrative Offences came into force. The amendments aim to expand the range of administrative violations in the field of cargo transportation, with the goal of aligning the requirements of Armenian legislation with those of the European Union and fulfilling the commitments made by Armenia in accordance with a multilateral international agreement. The respective legislation regulating the area already defines a set of related criteria for cargo transportations. For instance:

- Drivers with categories "C", "D", "CE", "DE", "C1E", "D1E" involved in public road transport must undergo periodic professional retraining and obtain a certificate of professional qualification.
- Training centers responsible for providing appropriate professional training and organizing qualification exams must adhere to specific requirements.
- Organizations involved in interstate freight and passenger transportation by road are obligated to meet criteria related to good reputation, financial resources, and professional qualifications.

The amendments introduced to the Code on Administrative Offences specify the consequences for the violation of existing requirements. The amendments define a fine which varies from USD 125 to USD 250 for the following violations:

- If an organization involved in interstate cargo transportation fails to furnish information about the transportation manager (the individual responsible for the organization and transportation safety) a fine of AMD 50,000 (USD 125) will be imposed by the authorized body.
- If organizations involved in interstate transportation (excluding non-commercial transportation) using cargo vehicles exceeding the maximum allowable weight of 3.5 tons violate the specified requirements for the transportation manager outlined in the Quality Charter for international road freight transportation, they will be subject to a fine of AMD 50,000 (USD 125).
- Breaking the rules outlined in the laws of the Republic of Armenia regarding transport activities results in a fine in the amount of AMD 100,000 (USD 250) for organizations and AMD 50,000 (USD 125) for transportation managers.

Are you interested in any of the topics?

- We would be pleased to discuss with you the legislative changes and how they can impact your business;
- We can analyze and implement possible steps to ensure compliance with the new requirements.

If you are interested in additional information, please contact the respective PwC specialists.

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