

# PwC Eurasia Legal

Legal Newsletter

January 2024



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

## **Kazakhstan**

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

#### **Amendments to regulations on communication, digitalization and improvement of the investment climate in the field of informatization were approved**

Mazhilis approved the draft Law on introduction of amendments to certain legislative acts on issues of communication, digitalization and improvement of the investment climate in the informatization sphere (the “**Draft Law**”). The amendments cover the issues of communication market’s de-monopolization through redistribution of radio frequency spectrum and subsidies for communication services during digitalization at agricultural and industrial facilities.

The Draft Law stipulates, among others, the following:

- changes to the procedure for redistributing the radio frequency spectrum through re-farming;
- transfer to the ownership of communication service operators of cable networks;
- new obligations of natural monopolies to provide telecommunication operators with existing cable ducts;
- subsidizing communication services when implementing digitalisation measures at agricultural and industrial facilities.

## **Azerbaijan**

### **New Public Procurement Law in force**

A new Public Procurement Law dated 14 July 2023 has entered into force. The New Law introduces new concepts, such as beneficiary ownership, framework agreement, financial funds, simple purchase agreement, unreliable suppliers, and respective relationships arising therefrom. In addition, the scope of application of the new procurement system has been expanded. Thus, by the new Law non-budgetary state funds and public legal entities have been included into the concept of procuring organization. As a result, the Law will also cover state institutions and organizations (departments), legal entities whose shares are under state control along with non-budgetary state funds and public legal entities.

Additionally, by the Law the concept of state funds was replaced with the concept of financial funds. Consequently, under the new law the local procurement concept now includes both state funds and all types of monetary resources used by the state procurement organization.

The Law came into effect on 1 January 2024.

## **Mongolia**

### **A new law on pet is introduced in Mongolia**

The Parliament of Mongolia has introduced the Law on Pet effective from 1 January 2024. Whilst this law mainly regulates domestic relations and care of pets, it also introduces new permit requirements for commercial breeding cats and dogs as well as operating an animal shelter. Other impactful changes are registration of pets, imposition of obligations for pet owners and liability for violation of such obligations.

### **A Mongolian embassy to open in Tashkent, Uzbekistan**

On 12 January 2024 the Parliament of Mongolia approved the resolution to open an embassy of Mongolia in Tashkent, Uzbekistan. With the bilateral trade turnover gradually increasing in the last years reaching USD10.4m in 2022, Mongolian Government hopes to increase import from Uzbekistan especially in the food and beverage industry as well as export domestic products to Uzbekistan.

## A sustainability rating of business entities is being introduced

On 23 January 2024 the Presidential Resolution (the “**Resolution**”) was adopted providing the introduction of the Sustainability Rating of Business Entities (the “**Rating**”) from 1 February 2024. In accordance with the provisions of the Rating, business entities will be divided into the following groups:

- «AAA», «AA» and «A» - high sustainability rating,
- «BBB», «BB» and «B» – average sustainability rating,
- «CCC», «CC» and «C» – satisfactory stability rating,
- «D» – low sustainability rating.

The purpose of introducing the Rating is to additionally encourage business entities that carry out activities in compliance with legal requirements. According to the Resolution, incentive measures will be determined depending on the rating received. It is mandated that governmental bodies must formulate criteria for Rating indicators and ensure their dissemination to business entities through the taxpayer's personal account. Thus, for business entities with a high sustainability rating (AAA), the following incentives are expected:

- tax audits will not be carried out, with the exception of audits carried out in criminal cases,
- reimbursement (refund) of VAT amounts for this category of business entities is carried out within one day without inspections.

For business entities of category “A” and above:

- refund of overpaid amounts of taxes (except for VAT) is carried out within three days,
- the procedure for mutual accounting of VAT amounts paid when importing goods and selling goods (services) is applied.

Incentives provided for the corresponding level of the Rating will be applied to business entities from April 1, 2024. The Rating will be published on the official website of the Chamber of Commerce and Industry.

## A moratorium on the extraction of non-metallic materials in riverbeds


On 17 January 2024 the Presidential Decree on streamlining the extraction of non-metallic materials in reservoirs was adopted («**Decree**»). Thus, according to the Decree, the following provisions come into force from 1 May 2024:

- an indefinite moratorium on the extraction of non-metallic materials in the riverbeds of Chirchik, Sangzor, Zarafshan, Naryn, Kashkadarya and Surkhandarya is introduced,
- the right to extract sand and gravel materials in riverbeds, coastal strips and water protection zones will be granted exclusively through the electronic platform “E-auksion”,
- the extraction of sand and gravel materials will be organized in alternative areas of deposits located in mountainous or foothill (inland) territories.

Additionally, in accordance with the Decree, the amounts collected for damage caused to nature due to the illegal extraction of sand and gravel materials in riverbeds, coastal strips and water protection zones are applied with a 10-fold increase.

## Requirements for opening and running a business are being simplified in Uzbekistan

By the Presidential Decree on Measures to Reduce Mandatory Requirements and Simplify Licensing and Permitting Procedures in Entrepreneurship (the “**Decree**”), the cancellation of certain types of licensed activities and permitting documents is envisaged. In accordance with the Decree, 7 types of permitting documents have been canceled, 12 types of licenses have been revoked through their consolidation, and 3 types of licenses have been replaced with a notification procedure.



The Decree also provides the release of entrepreneurs from 70% up to 50% of fines in case of voluntary payment of half the fine for violations in the licensing, permitting and notification procedures within 30 and 15 days, respectively.

In addition, from 1 March 2024 to 1 January 2025, a special regime “In Business Without a License” is being introduced as a part of a legal experiment for activities related to the operation of X-ray equipment and the implementation of veterinary laboratory diagnostics. This special regime grants entrepreneurs the right to conduct their activities for 3 months without obtaining a license and bringing their operations into compliance with regulatory requirements during this period.

## 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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