

PwC Eurasia Legal

Legal Newsletter

October 2023



pwc

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 October in these countries.

Kazakhstan

The Agency for financial monitoring approved the Rules for maintaining the Register of beneficial owners of legal entities

The Agency of the RK on financial monitoring by its order dated 25 September 2023 approved the Rules for maintaining the Register of beneficial owners of legal entities (the “**Rules**”). The Rules, inter alia, envisages the following:

- The Register of beneficial owners of legal entities (the “**Register**”) is a state database designed to record and store information on beneficial owners of legal entities;
- A beneficial owner is an individual (i) who directly or indirectly owns more than 25% participation interest / shares of legal entity or foreign structure without forming legal entity (the “**Client**”); (ii) otherwise exercising control over the Client; (iii) in whose interests the Client carries out transactions with money / property;
- Users of the Register are state bodies of Kazakhstan that exercise control over compliance by the subjects of financial monitoring with the legislation on counteraction of legitimization (laundering) of incomes received by illegal means, and financing of terrorism and financing of the proliferation of weapons of mass destruction;
- The Register is located in the closed part of the web portal of the authorized body and is intended for searching and verifying the accuracy of the information provided by the Client about the beneficial owners of legal entities;
- The Register contains information about the beneficial owners of a certain legal entity and a list of legal entities for which the beneficial owner is a certain individual;
- The search for beneficial owners of legal entities is carried out in the Register using IIN for an individual or BIN for an organization.

The New Rules on Currency Control over Export-Import Transactions and amendments to the Rules on Conduction of Currency Transactions are approved

The new Rules on Currency Control over Export-Import Transactions (the “**Rules on Export-Import Control**”) and amendments to the Rules on conduction of currency transactions (the “**Rules on Currency Transactions**”) are approved. The changes would come into effect from 1 January 2024.

The Rules on Export-Import Control stipulate, among others, separate record of currency agreements with record numbers by the territorial divisions of the state revenue committee in certain cases.

According to the amendments to the Rules on Currency Transactions:

- the list of transactions, which could be considered as a withdrawal of money from Kazakhstan, is determined.
- the payments / transfers of funds by one person within one month under two or more currency agreements with the same non-resident could be deemed as currency transactions aimed at evading the currency control law requirements (if the total amount of the currency agreements exceeds the threshold for obtaining the contract record number).
- the residents should provide their consents to their local servicing banks for transfer of information on payments and transfers of money to the currency control authorities and law enforcement agencies.

New regulations for the Renewable Energy Sources Information System were approved

New Regulations for the Renewable Energy Sources Information System (the “RESIS”) were approved by the Government as of 28 September 2023. The Regulations define the legal, organizational and technological bases of the formation and operation of the RESIS, its integration with other information systems and resources of other state bodies through the Electronic Government Information System.

A new rule on the issuance of certificate origin for the electricity produced from renewable energy sources was approved

The Rule on the issuance of certificate origin for the electricity produced from renewable energy sources was approved by the Government as of 28 September 2023. Thus, a new scheme determines the issuance formalities of the certificate of origin for electricity produced from renewable energy sources. The Rule applies to persons who produce or consume electricity from renewable energy sources. In addition, the form of the certificate of origin for the electricity produced from renewable energy sources is also approved in the Rule.

New rules for the implementation of the active consumer support mechanism were approved

The Rules for the implementation of the active consumer support mechanism were approved by the Government as of 28 September 2023. It is worth to note that new Rules determine the capacity of the power plant producing electricity from renewable energy sources by the active consumer at the limit of 150 kW (including 150 kW) and approve procedures for the implementation of the active consumer support mechanism in Azerbaijan. In addition, the Rules approve a template of contract for the purchase and sale of electricity between an active consumer and an energy supply enterprise.

Amendments to the ordinance No.520 of the Government of Georgia “On Approving Procedures for Reviewing and Deciding the Granting of Georgian Residence Permits”

On 10 October 2023 the Government of Georgia adopted new requirements for obtaining a work residence permit. Specifically, the list of required documents has been expanded to include the following:

- Information regarding the number of foreign individuals applying for work residence permits within the employing organization or established enterprise.
- The unique code assigned during the registration of the labor immigrant at the Ministry of Internally Displaced Persons from Occupied Territories, Labor, Health, and Social Affairs of Georgia (Ministry).

If it is not feasible to use the code specified in the application, the applicant must provide a document confirming the registration of the labor migrant at the Ministry. This document is requested by the Public Service Development Agency (Agency) to verify the registration status of labor migrants at the Ministry.

When submitting an application to the agency, a foreigner seeking for the residence permit should have at least 30 calendar days left before the expiration of the validity of the travel document.

Mongolia

The Government of Mongolia has approved the list of specialized fields to hire foreign nationals

The Labour Migration Law has classified types of positions for foreign employees in Mongolia into categories of management, assistant and executive effective from 1 July 2022. The Law provides that the Government would approve the list of experts of specialized fields every two year.

The Government, in turn, has approved the list of such positions in accordance with the Resolution No. 359 dated 26 September 2023. The employer organization may directly request the permit to attract foreign employee from the General Agency for Labour and Social Welfare Services without searching for local hire if the foreign employee's position is with the list.

Quota for foreign employees for 2024 is approved

The Government of Mongolia enacts the foreign employee quota for entities operating in Mongolia annually. This quota is now updated for 2024 pursuant to the Resolution No. 360 of the Government dated 26 September 2023.

The quota is set for each economic sector and takes effect from 1 January 2024. The quota for 2024 ranges from 10-10,000 foreign employees depending on the industry totaling 27851 foreign employees to work in Mongolia in 2024 including 10,000 for mining, 5,000 for construction, 1,500 for education and 10 for real estate sectors respectively.

Uzbekistan

The effectiveness of normative acts will be tested through legal experiments

On 27 October 2023 the Ministry of Justice posted a draft Law on Legal Experiment (the "**Draft Law**") for public discussion. Legal experiments will be applied in public administration, social, economic and other spheres. According to the Draft Law, the legal experiment will be conducted in the following stages:

- Design and preparation,
- Conducting the legal experiment,
- Monitoring of the legal experiment and evaluation of its results,
- Implementation of the results of the legal experiment.

The Draft Law sets the period of the experiment from 6 months to 3 years. Within 30 working days after the end of the legal experiment, the authorised body shall prepare a report on the feasibility of transferring these experimental legal norms into generally binding norms.

For information: a legal experiment is a study of the effectiveness of a legal act by temporarily introducing its effect on a certain territory and (or) on a scope of persons.

National Green Economy Taxonomy was approved

On 25 October 2023 the Government of Uzbekistan approved the Resolution on the National Green Economic Taxonomy (the "**Resolution**").

The Resolution defines the categories of the main areas of the Green Taxonomy and the evaluation of the eligibility criteria based on the classification of green activities. According to the Resolution, until October 1, 2024:

- Classification of "green" projects financed by green bonds and credits is carried out on an experimental basis using the National Green Economy Taxonomy,
- Investment costs of all economic entities using financial state support (subsidies, grants, credit lines and others) are classified on the basis of the National Green Economy Taxonomy.

The Government approved the initiative to make amendments to the Law on Protection of Economic Competition dated 6 November 2000 and the Law on Trade and Services dated 24 November 2004

On 19 October 2023 the Government granted approval for amendments to the Law on Protection of Economic Competition and the Law on Trade and Services. The proposed changes aim to make trade fairer by improving the competitive landscape and ensuring balance between the rights of trade chains and distributors.

The proposed amendments entail the following revisions:

- A certain timeframe for making payments by distributors to the trade chains have been stipulated;
- New expressions of abuse of a strong negotiating position have been determined, including the cases of payment delay to trade chains by distributors, as well as cases of failure to fulfill payment obligations to agricultural products suppliers;
- Criteria for identifying a strong negotiating position in transactions involving the purchase of agricultural products produced in the Republic of Armenia have been stipulated;
- The proposal also intends to create a legal system that allows the chairman of the Competition Protection Commission to directly approve international documents that are not legally binding, such as memorandums.

Amendments have been made to the Law on Limited Liability Companies dated 24 October 2001

On 15 October 2023 the amendments to the Law on Limited Liability Companies came into force. The primary objective of the amendments is establishing legal provisions that authorize limited liability companies (the “**Company**”) to independently determine the frequency of distributing profits.

As per the previous legal framework, it was mandated that a Company was entitled to distribute its profits among its participants on an annual basis. Such regulation imposed undue limitations on Companies to distribute profits to their participants.

In accordance with the amendments entered into force, the Company is now empowered to distribute its profits among its participants not more than once per quarter. Henceforth, the Company shall possess the discretion to autonomously establish the frequency of profit distribution. This modification is expected to facilitate the adherence to proper accounting practices, the maintenance of internal documentation, and the lawful distribution of profits to the Company's participants.

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.

Sergi Kobakhidze

Partner for Eurasia Legal

Office: +995 32 250 8066

Mobile: +995 579 233 323

Email: sergi.kobakhidze@pwc.com

Kazakhstan

Yerkebulan Rakhmenov

Director, Legal Services

Office: +7 727 330 32 00

Mobile: +7 701 99 11 421

Email: yerkebulan.rakhmenov@pwc.com

Azerbaijan

Elchin Mammadov

Director, Legal Services

Office: +994 12 4972515

Mobile: +994 50 229 2015

Email: elchin.mammadov@pwc.com

Georgia

Vano Gogelia

Director, Legal Services

Office: +995 32 250 8066

Mobile: +995 55 102 9494

Email: vano.gogelia@pwc.com

Mongolia

Munkhjargal Ragchaakhuu

Manager, Legal Services

Office: +976 70009089

Mobile: +976 99056747

Email: munkhjargal.ragchaakhuu@pwc.com

Armenia

Alla Hakhnazaryan

Manager, Legal Services

Office: +374 10 512 165

Mobile: +374 93 383 956

Email: alla.hakhnazaryan@pwc.com

Uzbekistan

Vladimir Sokolov

Director, Legal Services

Office: +998 71 120 6101

Mobile: +998 94 655 7976

Email: vladimir.s.sokolov@pwc.com