

INCORPORATION OF LEGAL ENTITIES BY FOREIGN INVESTORS IN UZBEKISTAN

Types of Legal Entities (this section describes forms of legal entities most widely applied by foreign investors and limitation imposed on foreign investments)

The following types of commercial legal entities could be used by foreign investors:

Type of legal entity	Juridical form of legal entity	Meaning	Number of participants	Responsibility of participants on obligation of the company	Minimum value of charter fund (in equivalent to USD ¹)	Actions
Partnership	Full partnership	Means a partnership, participants of which (full partners) perform entrepreneurial activity personally on behalf of the partnership, according to the agreement concluded between partners	Not less than 2 partners: individual entrepreneur (s) and/or legal entity(ies)	Full liability of the partners by whole property belonging to them	Not less than 1200 USD	The right and obligation of the company are acquired through its full partner(s)
	Special partnership	Means a partnership which consists of full partners (who perform entrepreneurial activity on behalf of the partnership) and one or more simple participants (contributor), who are not participating in entrepreneurial activity of the partnership	Not less than 2 full partners and 1 contributor: individual entrepreneur (s) and/or legal entity(ies)	Full liability of the full partners by whole property belonging to them. The responsibility of a simple participant is limited by his (her) contribution	Not less than 1200 USD	
Company	Company with limited liability	Means a company, the charter fund of which consists of nominal value of the contributions made by participants of the company.	Not less than 1, but not more than 50 participants: legal entities and/or individuals	The responsibility of each participant is limited by his (her) contribution to the charter fund	Not less than 1200 USD	The right and obligation of the company are acquired through its management bodies
	Company with additional liability	Means a company, the charter fund of which consists of nominal value of the contributions made by participants of the company.	Not less than 1, but not more than 50 participants: legal entities and/or individuals	The participants jointly bear subsidiary responsibility by their property	Not less than 1200 USD	
	Open Joint	Means a company, the charter fund of which is	One or more shareholders	The responsibility of each	Not less than	

¹ For the purpose of obtaining of additional tax privileges the Uzbek Law provides highest minimum value of charter fund for legal entities with foreign investments.

Stock Company	divided to certain number of shares to be distributed among unlimited number of persons	: legal entities and/or individuals	shareholder is limited by the value of share(s) belonging to him (her)	400,000 USD
Closed Joint Stock Company	Means a company, the charter fund of which is divided to certain number of shares to be distributed between certain circle of persons.	Not less than 3, but not more than 50 shareholders : legal entities and/or individuals	The responsibility of each shareholder is limited by the value of share(s) belonging to him (her)	Not less than 400,000 USD

Procedure of state registration

A procedure of state registration of legal entities in the territory of Uzbekistan is regulated by the Decree of the President of the Republic of Uzbekistan "On implementation of the system of state registration and registering the subjects of entrepreneurship" No. PP-357 of 24.05.2006. Legal entities with participation of foreign investors could be registered in the Republic of Uzbekistan by one of two registering bodies: (1) the Ministry of Justice or (2) one of the territorial district administrations.

- the Ministry of Justice performs registration of legal entities if value of the charter capital of legal entity exceeds 150,000 US Dollars and at least 30% of the share capital belongs to foreign investor; or
- Local Administration (Khokimiyat) of relevant territorial district (town) registers all types of commercial entities, which do not comply with registration requirements applicable for registration with the Ministry of Justice.

State registration with the above bodies includes simultaneous registration with the taxation and statistics bodies of Uzbekistan.

It has to be mentioned that registration with the Ministry of Justice grants to the legal entity a status of "*company with foreign investments*" and grants official protection of foreign investments, which is envisaged under the law of the Republic of Uzbekistan "On guarantees means of protection of the rights of foreign investors". Primary distinction between the two ways of registration of legal entity in Uzbekistan is that the registration with the Ministry of Justice grants certain guarantees and economic privileges and exemptions. Economic privileges and exemptions include exemptions from customs fees on imported technological equipment and the right to obtain certain tax deductions and customs privileges in the event of participation in priority projects or sector of economy specified by the Government.

For the state registration, the founder(s) of the legal entity must do the following:

- (i) obtain a certificate of the name of contemplated legal entity. This is made in order to avoid duplications or similarities in the names of existing and newly established companies.
- (ii) prepare constitutive (foundation) documents of the contemplated legal entity;
- (iii) open a temporary bank account(s) with one of the commercial banks in the Republic of Uzbekistan for the purposes of accumulating funds transferred by founder(s) of the contemplated company as their initial contributions to the charter capital (the applicant shall receive the certificate from commercial bank);
- (iv) draft and approve sketches of corporate round seal and rectangular stamp of legal entity (to be approved by founder(s));

- (v) make payment of the state due per bank accounts specified by the relevant registering body at the amount:
- 5 minimum monthly wages (MMW) and 500 US Dollars in case of registration with the Ministry of Justice;
 - 5 minimum monthly wages in case of registration with Khokimiyat..
- (vi) submit the following documents to the registration body:
- original of the filled in standard form of application for registration of legal entity;
 - originals of the constitutive documents (Charter and Shareholders' Agreement) of the contemplated legal entity in the Uzbek language, certified by notary in the Republic of Uzbekistan in 2 original copies (sets). The Shareholders Agreement is applied if the company has more than one founder;
 - bank payment document confirming payment of the state due;
 - original of the certificate of registration of name of the contemplated company. The certificate of name must demonstrate that the contemplated company's name does not have duplications or similarities to names of the registered and existing companies;
 - three copies of sketches of corporate seal and corner stamp of the contemplated legal entity;
 - extract from the trade register of foreign founder (e.g. legal entity) on the place of its registration, super-legalized by the Consulate of the Republic of Uzbekistan in the relevant country²;
 - copy of passport of foreign founder (e.g. individual) along with its translation to the Uzbek language certified by the notary public; and
 - documents, confirming making of contribution by each founder at least in the amount 30% of their respective total contributions to the charter capital of the contemplated company (e.g. it could be (1) a confirmation letter from the commercial bank evidencing that the initial contributions of the founder(s) were completed by the way of transferring funds to the temporary accumulating bank account in Uzbek Soums and/or in hard currency, or (2) customs declaration or another document from customs bodies, confirming importation by the founder(s) certain tangible or intangible assets to the territory of the Republic of Uzbekistan, including a document proving ownership rights to the assets). If the contribution is to be made in the form of intellectual property, the applicant must present to the registering body a report on evaluation of intangible asset, prepared by independent licensed evaluator).
- (vii) obtain a certificate of state registration of legal entity and supplementary documents (permission for manufacturing corporate stamps, certified constitutive documents) within 5-10 working days from the date of application (the decision on registration shall be made by the registering body in 2 working days);
- (viii) apply to a specialized firm for production(manufacturing) of corporate seal and rectangular stamp, according to the sketches provided to the registering body and approved by the appropriate registering body (department of police of appropriate district);

² The extract from the trade register regarding foreign founder of resident legal entity shall include: (1) name of foreign legal entity, (2) place of location of foreign legal entity, (3) value of the charter capital, organizational form of legal entity, date of registration and period of validity; and information on the person who has the right to sign on behalf of the foreign legal entity. The mentioned extract shall be valid within 1 year from the date of its issue. These notarized documents shall have to be submitted along with translation into the Uzbek language certified by the notary public.

- (ix) notarize banking signatories' cards with samples of signatures of senior officers of the company (i.e. CEO or director and CFO or chief accountant);
- (x) open permanent bank account(s) in Uzbek currency and in hard currency in the name of the registered legal entity with one of the Uzbek commercial banks (it should be made with the bank which holds the temporary accumulating bank account(s) opened prior to registration);

The time frame required for the registration of legal entity in Uzbekistan ranges from 20 to 40 days in average.