

PwC Eurasia Legal

Legal Newsletter

January 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 January in these countries.

Kazakhstan

The President signed the Law “On restoration of solvency and bankruptcy of citizens”

The President signed the Law “On restoration of solvency and bankruptcy of citizens” (the “**Law**”). The Law stipulates the following procedures for restoration of solvency and bankruptcy of citizens:

- *Restoration of solvency*: this procedure would be applied by judicial means if the obligations exceed 1,600 MCIs (KZT 5,520,000), taking into account the income and current expenses of the debtor.
- *Non-judicial bankruptcy*: this procedure would be applied if (1) the obligations do not exceed 1,600 MCIs (KZT 5,520,000); (2) no debt repayment is made within 20 consecutive months; and (3) the debtor does not have any property.
- *Bankruptcy through judicial means*: this procedure would be applied if (1) the obligations exceed 1,600 MCIs (KZT 5,520,000); and (2) no debt repayment is made within 20 consecutive months.

Azerbaijan

The period of exemption from customs duties for importation of machinery, technological equipment and devices in industrial and technological parks is extended

On 27 December 2022 an amendment was made to the Law on Customs Tariff, according to which the importation of machinery, technological equipment and devices by legal entities and individual entrepreneurs, who are residents of industrial or technology parks, for:

- construction of production areas in industrial or technology parks,
- conduction of scientific-research and experimental-constructive work, and
- production

are exempted from customs duties for a period of 10 years from the date of registration of such residents in the industrial or technology parks. According to the previous regulation, this period by the law was defined as 7 years.

Georgia

New Regulations on Lending Entities

On 25 January 2023 the President of the National Bank issued the amendments to the Order No. 217/04 “On Registration, Cancellation of Registration and Regulation Procedure of Lending Entities at the National Bank of Georgia”. According to the amendments, lending entities may function only in the form of a limited liability company or joint-stock company. New amendments have restricted individual entrepreneurs from registering as a lending entity to conduct regulated lending activities.

Mongolia

The Amendment to the Minerals Law imposes a fee for failure to hire local citizens

The Amendments to the Law on Minerals (the “**ML Amendments**”) have been adopted as an accompanying law of the Law on Budget 2023 of 11 November 2022. The mining license holder and its subcontractor are obliged to employ citizens of Mongolia under the Minerals Law. With effect from 1 January 2023, the ML Amendments require that at least 5% of the Mongolian employees of the mining license holder and its subcontractor will need to be the citizens of the soum or district where the mining claim is located. Failure to comply with this requirement will result in a monthly fee equal to approximately USD 315 for each job that should have been filled by local citizens.

The Government approved the Employment Arbitration Rule

On 4 January 2023 the Government adopted Resolution No.5, which approved an Arbitration Rule for Employment. This arbitration rule intends to settle disputes relating to all types of collective agreements and/or collective bargaining such as entering into and amending such collective agreements. According to the Labour Law, collective agreements and collective bargaining are generally entered into between the representative of employees and employers and/or trade union representative and representatives of employers in certain industries. In future, any dispute between these parties relating to collective bargaining and collective agreements will be referred to the employment arbitration, which will settle the dispute using the rule.

A new law is approved to protect human rights in social media environment

The Government introduced the bill on protecting human rights on social media on 18 January 2023, which was later adopted by the Parliament on 20 January 2023. The Law on Protecting Human Rights on Social Media is now facing backlash from major media outlets and the public because of the failure to comply with the procedural requirements of adopting a law as well as ambiguous provisions giving broader control and power to the government for social media usage by private companies and individuals ultimately threatens free speech. At the date of this publication, this law is not effective and may be subject to presidential veto.

Uzbekistan

The Cabinet of Ministers approved the procedure for the formation and implementation of the investment program

On 14 January 2023 the Cabinet of Ministers approved the Procedure for the Formation and Implementation of the Investment Program (the “**Procedure**”). The Procedure introduces such terms as “business plan”, “post-investment monitoring”, “development concept (strategy)”, “project” and “infrastructure project” and introduces complete transition to automated online control and monitoring of investment projects. Mandatory criteria for including projects in the address part of the investment program:

- approved pre-project and project documents, except for projects implemented at the expense of direct investments (including foreign);
- approved sources of financing;
- the total value of the project not less than USD 500,000;
- availability of the project passport in the stipulated form;
- other grounds for inclusion in the Investment Program (as indicated in the Presidential or the Cabinet of Ministers Decree).

The first draft of the three-year investment program should be submitted to the Presidential Administration before 1 December 2023.

The President approved changes in corporate governance of JSCs and LLCs

The amendments aimed at improving corporate governance, which were adopted on 18 January 2023, introduced the concept of an “independent member of the supervisory board” and set additional requirements for candidates. For instance, a person who has been a member of the supervisory board of a company for 6 successive years will not be an independent member of the supervisory board.

The amendments shall come into force on 20 April 2023.

Zero-rates of duties on imports have been extended

On 30 December 2022 the President adopted the Decree, which extended the period of validity of zero rates of customs duties. Zero rates apply to imports of meat, flour, grain, oil, and surfactant organic substances.

The period of validity of rates is extended by 1 January 2024.

From 1 January 2023 all legal entities have an obligation to submit a declaration on beneficial owners

Amendments to the Law “On state registration of legal entities, state recording of separate subdivisions of legal entities, institutions and individual entrepreneurs”, which was adopted on 3 June 2021, expanded the range of legal entities obliged to submit a declaration on beneficial owners. The amendments provide for 3 stages of expanding the scope of relevant legal entities:

- the first stage: from 1 September 2021 to 1 November 2021 organizations operating in the regulated field of public services and organizations providing audiovisual media services were obliged to submit a declaration;
- the second stage: from 1 January 2022 to 1 March 2022 all commercial organizations registered in Armenia were obliged to submit a declaration, except for limited liability companies with only individual shareholders;
- the third stage: from 1 January 2023 to 1 March 2023 limited liability companies with only individual shareholders and non-commercial organizations shall also submit a declaration.

The beneficial owner of a legal entity is defined as an individual who meets the following requirements:

- directly or indirectly owns 20% or more of the voting shares of the given legal entity or directly or indirectly has 20% or more participation in the legal entity's charter capital;
- exercises real (factual) control over the given legal entity through other means;
- is an official person carrying out general or current management of the activities of the respective legal entity, provided that there is no individual that meets the above mentioned requirements.

Legal entities are obliged to submit declarations regarding beneficial owners and its subsequent changes electronically to the Agency for State Register of Legal Entities of the Ministry of Justice. Newly registered legal entities are obliged to submit a declaration within 40 days from the moment of registration. In case of changes in the data on beneficial owners, legal entities must make a declaration immediately after becoming known to the legal entity, but not later than within 40 days. Failure to submit a declaration on beneficial owners within an established period of time causes administrative liability in the form of warning or penalty in the amount of 30 000 AMD to 100 000 AMD.

The Government approved the initiative to amend the Civil Code, the Law “On Trade and Services” and the Law “On Consumer Rights Protection”

On 5 January 2023 the Government approved the project on making amendments and supplements to the Civil Code, the Law “On Trade and Services” and the Law “On Consumer Rights Protection”. The amendments and supplements include:

- Clarification of the ways of concluding contracts in written form. It is specified that a contract can be concluded in writing in the following ways: 1) by drawing up one document signed by the parties, 2) by exchanging a document by post, 3) by electronic means. The contract can be concluded electronically by exchanging an electronic message, document or data by means of electronic communication or other means of communication, including electronic data exchange on an electronic platform (website, application, etc.) by carrying out a clear action aimed at concluding the contract;
- Clarification of the provisions on receipt of offer when concluding contracts electronically. It is specified that when concluding a contract electronically, the offer is considered received from the moment when: 1) it enters the information system specified by the addressee or the electronic platform used or operated by him, or 2) it is sent to an information system which is not specified by the addressee, however is detected by the latter;
- Provision of clear regulations on the inadmissibility of including unfair terms in adhesion contracts concluded with consumers and in standard terms;
- Clarification of the scope of adhesion contracts.

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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