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RESEARCH ARTICLE

**THE LEGAL BASES OF INVESTMENT ACTIVITY IN THE FREE ECONOMICAL ZONES OF THE
REPUBLIC OF UZBEKISTAN.**

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Abstract

In this article it is reviewed free economical zones, analyzed the investment activity and legal basis of investment activity in the free economical zones, various preferences and facilitations are granted for foreign and local investors in the territory of the various kinds of free economical zones.

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Today the creation of free economical zones is the perspective and effective way of involving foreign investment, developing economical and social competence of country and developing the international cooperation between countries.

The world practice shows that many countries around the world try to create free economical zones with their different aspects and characteristics as well as to create the different measures that free economical zones can accomplish successfully their activity and considerably influence the development of the economy of that country.

One of the significant conditions of attracting the foreign investment to the free industrial economical areas and special economical zones is the creation of favorable investment environment that includes solid legal basis with tax, customs and financial preferences.

Today in the Republic of Uzbekistan the free industrial-economical zone “Navoi”, the special industrial zone “Angren” and special industrial zone “Jizzakh” are functioning effectively.

In the above mentioned free zones like “Navoi”, “Jizzakh”, “Angren” it was created the comprehensively convenient investment environment, because a number of legal acts thoroughly protect the rights and lawful interests of foreign and local investors and include complex preferences and facilitations for investors are being followed in these free economical areas.

One of these is the Act of the Republic of Uzbekistan “On the investment activity” №380, on December 9, 2014.¹ This act includes the bases and orders of accomplishing the investment activity in the Republic of Uzbekistan and in the free economical zones of our country. The main aim of this act is the regulation of relations in the sphere of investment activity.

The next legal act that regulates the investment activity is the Law of the Republic of Uzbekistan “About foreign investment” № 609-I on April 30, 1998². This Law defines the legal basis and procedure of accomplishing foreign investments in the territory of the Republic of Uzbekistan.

The main objectives of this legal act are promote the development of economy of the Republic of Uzbekistan and its integration into the world economic system by encouraging foreign investment; attracting and efficient use of foreign financial, material, intellectual and other resources, modern foreign technologies and management experiences.

The Law of the Republic of Uzbekistan is “On the guarantee and measures of protection the rights of foreign investors” № 611-I on April 30, 1998 is also successfully regulates the investment activities in the free economical zones³. This law provides the measures on the protection and guarantees the rights of foreign investors who accomplish investment activity in the territory of the Republic of Uzbekistan including in the free economical zones of our country.

The main tasks of this act is the guarantee of rights of foreign investors and forming complex measures on the protection of their rights, assignment of protection and conditions of presenting the additional guarantee for certain categories of foreign investments and foreign investors.

It is not allowed to discriminate foreign investors due to their nationality, place of residence, religion, place of economic activity, as well as, depending on the country of origin of investors or investments with a view to ensuring the implementation of international treaties of the Republic of Uzbekistan.

Along with general guarantees and measures of protection of foreign investors, the additional guarantees and measures of protection can be provided by legislation, including providing unconditional implementation obligations by partners before foreign investors.

It is obvious that the main aim of every investor is getting profit and successfully using their capitals. Of course in this situation it is very important for investor to realize their profits without any obstacles.

This act also guarantees the using of assets. In other words, incomes of foreign investors obtained on will of foreign investors in Uzbekistan can be reinvested in the Republic of Uzbekistan or used in any other ways.

Enterprises with foreign investment in accordance with the law have some right as open, use and command accounts in any currency, in any bank in the Republic of Uzbekistan as well as in abroad, receive and return foreign currency loans.

This law provides the guarantee of transferring of funds. Foreign investors are guaranteed free transfer of funds in foreign currency in the Republic of Uzbekistan and in abroad without any restrictions on conditions of the payment of taxes and other obligatory payments in accordance with the legislation of the Republic of Uzbekistan.

Today the free access to the public information is very considerable for foreign investors in order to accomplish their business activity.

¹ Collection of legislation of the Republic of Uzbekistan, 2014, number 50, Art.587

² Bulletin of the Oliy Majlis of the Republic of Uzbekistan, 1998, number 5-6, Article 91,. 1999, number 9, Article 229;. Collection of legislation of the Republic of Uzbekistan, 2008, number 14-15, Article 86;. 2008 g, number 52, Article 513,. 2012, number 52, Article 584,. 2014, № 4, Article 45.

³ Bulletin of the Oliy Majlis of the Republic of Uzbekistan, 1998, number 5-6, Article 93,. 2004, number 1-2, Article 18;. Collection of legislation of the Republic of Uzbekistan, 2005, number 37-38, Article 278. ; in 2008, number 52, Article 513,. 2014, № 4, Article 45

Especially, legislative acts, including departmental regulations acts as well as judicial decisions influencing in any way to the interests of foreign investors, should be available to them, and they will be published in the cases that it is directly set up in the legislation of the Republic of Uzbekistan.

Local organs of governments and public authorities are obliged to provide for the needs of foreign investors with the information they are interested in a manner prescribed by law⁴.

It is obvious that one of the fruitful and effective ways of accomplishing the investment activity is presenting to the investors a large scale of preferences and facilities. Today in the "Navoi" free industrial-economical zone the foreign and local investors are guaranteed large scale preferences. These facilitations are provided in some legal acts. The first it is decree of the President of the Republic of Uzbekistan "On the establishment of free industrial economical zone in Navoi region" № UP-4059 on December 2, 2008⁵, Regulation on the procedure of conducting the choosing of investors to locate them in the territory of free industrial-economical zone "Navoi"⁶, Regulation on the procedure of providing with special tax regime in the territory of free industrial-economical zone "Navoi"⁷.

Along with the right and obligations of investors it is guaranteed some preferences in these legal acts. In the decree of the President of the Republic of Uzbekistan "On the establishment of free industrial economical zone in Navoi region" №UP-4059 on December 2, 2008 the business entities registered in the free industrial economic zone "Navoi" are exempted from the payment of land tax, property tax, profit improvement and development of social infrastructure, single tax payment (for small businesses), compulsory contributions to the republican road fund and extra-budgetary funds of reconstruction, thorough repairs and equipping of general education schools, professional colleges, academic lyceums and medical establishments in the volume of making direct investments⁸.

Today the special industrial zone "Angren" successfully accomplishes its activity in our country. This is a favorable zone for foreign and local investors. The investment activity in this area is regulated with the decree of the President of the Republic of Uzbekistan "On the establishment of special industrial zone "Angren"" № 4436 on April 13, 2012, and other legal acts that was adopted under this decree⁹.

There are given also facilities and preferences for foreign and local investors in these legal acts. The participants of special industrial zone "Angren" are exempted from the payment of income tax, property tax of legal entities, the tax on improvement and development of social infrastructure, single tax payment for small businesses, as well as mandatory contributions to the republican road fund, customs duties (except for customs fees) on equipment, components and materials that are not produced in the country, imported into the territory of SIZ "Angren" in the framework of the implementation of projects on a list approved by the Cabinet of Ministers.

It is established that the abovementioned exemptions are granted for a period of 3 to 7 years depending on the amount of investments including the equivalent of 300 thousand USD to 3 million USD - a period of 3 years, more than 3 million US dollars to 10 million US dollars - for the term of 5 years, more than 10 million US dollars - for a period of 7 years¹⁰.

Despite the fact that the special industrial zone "Jizzakh" is established recently it attracts special attention of many foreign and local investors. The foreign and local investors of this special economical zone enter to the investment relations on bases of decree of the President of the Republic of Uzbekistan "About the creation of special industrial

⁴ Bulletin of the Oliy Majlis of the Republic of Uzbekistan, 1998, number 5-6, Article 93., 2004, number 1-2, Article 18.; Collection of legislation of the Republic of Uzbekistan, 2005, number 37-38, Article 278. ; in 2008, number 52, Article 513., 2014, № 4, item 45

⁵ Collection of legislation of the Republic of Uzbekistan, 2008, number 49, Article 478., 2011, number 9, Article 84., 2012, number 3-4, Article 26., 2014, number 29, Art. 356

⁶ Collection of legislation of the Republic of Uzbekistan, 2009, № 5, Art. 40

⁷ Collection of legislation of the Republic of Uzbekistan, 2009, № 5, Art. 40

⁸ Collection of legislation of the Republic of Uzbekistan, 2008, number 49, Article 478., 2011, number 9, Article 84., 2012, number 3-4, Article 26., 2014, number 29, Art. 356

⁹ Collection of legislation of the Republic of Uzbekistan, 2012, number 16, Art. 177

¹⁰ Collection of legislation of the Republic of Uzbekistan, 2012, number 16, Art. 177

zone "Jizzakh" № UP-4516 on March 18, 2013¹¹, Regulation about special industrial zone "Jizzakh", Regulation on the procedure of registration of participants special industrial zone "Jizzakh" and choosing the investment projects¹².

The participants of special economical zones "Jizzakh" are exempted from the payment of income tax, property tax of legal entities, tax on improvement and development of social infrastructure, single tax payment for small businesses, as well as mandatory contributions to the republican road fund, customs duties (except for customs fees) on equipment, components and materials that are not produced in the country, imported into the territory of SIZ "Jizzakh" within the framework of implementation of projects on a list approved by the Cabinet of Ministers.

It is also established that the above exemptions are granted for a period of 3 to 7 years depending on the amount of investments including the equivalent of 300 thousand USD to 3 million USD - a period of 3 years, more than 3 million US dollars to 10 million US dollars - for a period of 5 years, more than \$ 10 million - for 7 years¹³.

It should be noted that, nowadays the decrees of the President of the Republic of Uzbekistan № UP-4434 on April 10, 2012 "About additional measures for stimulation of attraction of direct foreign investments" the decree of the President of the Republic of Uzbekistan № UP-4609 on April 7, 2014 "On the measures of further development of investment climate and business environment" and other legal acts in this sphere are forming the system of developed favorable investment environment, granting huge volume of preferences, facilitations and guaranties for foreign and local investors.

It is obvious that the double sided and multilateral agreements between many foreign states have considerable meaning to regulate foreign investment activity. With the aim of protecting foreign investments accomplishing in the territory of the Republic of Uzbekistan signed the treaties and agreements with many foreign states.

At the end it should be noted that above mentioned facilitation and preferences will serve the reliable possibility for foreign and local investors to accomplish their investment and business activities in the territory of free economical zones of the Republic of Uzbekistan and of course the favorable investment activity will make significant contribution to the development of economy of the Republic of Uzbekistan and its integration into the world economy.

¹¹ Collection of legislation of the Republic of Uzbekistan, 2013, number 12, Art. 151

¹² Collection of legislation of the Republic of Uzbekistan, 2013, number 20, Art. 256

¹³ Collection of legislation of the Republic of Uzbekistan, 2013, number 12, Art. 151