

Voluntary liquidation of the enterprise.

Unfortunately, measures taken to minimize the spread of coronavirus infection (COVID-19) may lead some business entities to cease existing.

This newsletter has been prepared by “Leges Advokat” law firm as per the Regulation “On the procedure for voluntary liquidation and termination of activities of business entities and exclusion from the state registry of entities not conducting financial and economic activity, approved by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 704 of August 21, 2019 (hereinafter the “**Regulation**”), and contains a brief guided overview of the voluntary liquidation procedure of enterprises in Uzbekistan.

It should be noted that the Regulation does not apply in relation to:

- banks and credit bureaus, their branch and representative offices;
- commercial city-forming organizations and similar commercial organizations;
- state bodies, NGOs, including their separate units as legal entities (representative offices and branches), as well as representative offices and branches of international and foreign NGOs;
- commercial organizations that have insolvency signs prescribed by law.

1. Deciding on liquidation of an enterprise and appointing a liquidator

A decision on liquidation of an enterprise (hereinafter the “**Decision**”) may be taken by the founders (participants) of the enterprise or their representatives acting based on a power of attorney. The decision on the liquidation of an enterprise should include the following information:

- full and abbreviated name of the enterprise, its TIN and postal address;
- information about the liquidator, including his / her name, passport details, phone number and email address;
- place and deadline for submitting creditors’ applications;
- reasons and expected term for liquidation.

Both the founder/participant himself and the persons (s) appointed by him (liquidation commission) may act as liquidator.

2. Actions of the liquidator after the decision on liquidation of an enterprise is taken

The liquidator no later than the next business day following the date of the decision taken must send a copy of the decision to:

- the Public Services Center (hereinafter “**PSC**”) at the place of registration of the enterprise;
- the bank servicing the main accounts of the enterprise in soums and foreign currency, together with the specimen signature of the liquidator and two copies of cards bearing the seal of the liquidator;
- the banks servicing secondary deposit accounts, savings deposit accounts, and fixed-term deposit accounts of an enterprise in soums and foreign currency, together with an application-order on closing of accounts and transferring the remaining balance to the main accounts of the enterprise in soums and foreign currency.

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Also, the liquidator must:

- start the procedure of terminating labor relations with employees of the enterprise in the manner prescribed by labor legislation;
- compile a list of assets and liabilities of the enterprise in the manner prescribed by law, and make a registry of enforcement documents as per which the enterprise is a debtor;
- start taking measures to collect accounts receivable of the enterprise, as well as establish all creditors of the enterprise and notify them in writing of the liquidation of the enterprise.

3. PSC notification

Within one business day after the receipt of the Decision, PSC must send a notification on liquidation to the following state bodies:

- the tax office and state statistics body at the place of state registration of the enterprise;
- the district branch of the bureau of compulsory execution at the General Prosecutor's Office of the Republic of Uzbekistan (hereinafter - the "Bureau");
- the Capital Markets Development Agency of the Republic of Uzbekistan;
- the bodies registering rights to real estate, vehicles, agricultural machinery and other technical equipment subject to registration.

Besides, the **PSC** must post information on the liquidation of the enterprise on its website, indicating, inter alia, the term during which creditors' appeals to the enterprise shall be accepted (this term cannot be less than two months from the date the information is posted on PSC website).

4. Verification by the Bureau and tax service

Not later than ten days after receipt of the notification from the PSC, the Bureau in the prescribed manner determines any enforcement document within its proceedings as to which the liquidated enterprise is indicated as a debtor. If such enforcement document exists, the state executor completes the enforcement proceedings and sends the enforcement document to the liquidator.

Within three days after receiving the PSC's notification, the tax authority at the place of registration of the enterprise shall proceed to audit the financial and economic activity. The term of such audit may not exceed 30 calendar days. Otherwise, the sum of indebtedness of the liquidated enterprise on taxes and other mandatory payments shall be determined on the basis of the calculations provided by the liquidated enterprise.

The audit of financial and economic activity should cover a period from the date of the last audit (or from the date of state registration of the enterprise, if the enterprise has not yet been audited) till the date of the notification of the PSC on the liquidation of the enterprise. However, this period should exceed three years.

5. Preparation of the interim liquidation balance sheet

After expiration of the creditors' appeal term, the liquidator prepares a draft interim liquidation balance sheet of the enterprise, taking into account the audits conducted by the state tax service and Bureau.

The interim liquidation balance sheet requires the approval of the founders (participants) of the enterprise.

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6. Satisfaction of creditors' claims

Within five business days after the approval of the interim liquidation balance sheet, the liquidator must notify each creditor in writing (with confirmation of receipt) of the recognition / rejection of their claims.

The satisfaction of creditors' claims by the liquidator should be carried out on the basis of a three-stage order system:

- the first order - satisfaction of citizens' claims arising out of labor relations, alimony and cash payments under copyright agreements, as well as the claims of a commercial organization on causing harm to the life and health of citizens by canceling the corresponding temporary payments;
- the second order - the state budget or state trust funds;
- the third order - claims of other creditors.

It should be noted, in case of insufficiency of funds/property of the enterprise for full satisfaction of all creditors' claims, the liquidator must apply to the economic court for declaring the enterprise bankrupt. From the moment a company is declared bankrupt, the process of voluntary liquidation is terminated, and further liquidation of the enterprise is carried out in accordance with bankruptcy law.

7. Preparation of the liquidation balance sheet of the enterprise

The liquidation balance of the enterprise is approved by the founders (participants) of the enterprise and is submitted to the state tax service. In addition, the liquidator must send a request to the Bureau on the presence of an unexecuted enforcement document within the Bureau's proceeding, pursuant to which the liquidated enterprise is indicated as a debtor.

8. Conclusion on the absence of unfulfilled obligations on taxes and other mandatory payments

After receipt of the liquidation balance sheet and in case of absence of debts of the liquidated enterprise on taxes and other mandatory payments, the tax authority must send to the liquidator and the PSC the corresponding conclusion within one business day.

Also, in the absence of an unexecuted enforcement document within the Bureau's proceeding, pursuant to which the liquidated enterprise is indicated as a debtor, the Bureau must send to the liquidator and PSC a corresponding certificate within three business days.

9. Closure of the main bank account of the enterprise

After receipt of the conclusion of the tax authority and the certificate of the Bureau, the liquidator shall send to the bank where the main accounts of the enterprise are opened, an application for closing the accounts.

The Bank, in the absence of a card-file No. 2 on this account, closes the main accounts of the enterprise within one business day from the date of the liquidator's application and sends a certificate to the enterprise about this.

10. Submission of documents to the state archive

Within three days after the closure of the main accounts of the enterprise, the liquidator must submit all accounting and other documents of the enterprise to the state archive.

11. Exclusion of the enterprise from the state registry

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The liquidator submits the following documents to the PSC:

- certificates from servicing banks about the closing of accounts;
- seals and stamps (if available);
- certificate on cancellation of securities issued by the competent authority (if any);
- certificate on submission of the necessary documentation to the state archive (except for the enterprises not carrying out financial and economic activity from the date of state registration).

The PSC examines submitted documents and records the information on liquidation of the enterprise into the registry within two days. The PSC sends the liquidator a decision on the liquidation of the enterprise within one day after it has been taken.

The term for voluntary liquidation of an enterprise shall not exceed six months from the date of notification of the PSC of the decision of the founders / participants on voluntary liquidation of the enterprise.

If the above documents are not submitted to the PSC within the six months' period allotted for voluntary liquidation, the process of voluntary liquidation shall be suspended, the PSC shall notify the tax and statistics authorities, and closed bank accounts shall be restored.

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Finally, let us express our hope that your company will not have to use the above information and will effectively overcome temporary difficulties that have emerged in relation with the spread of coronavirus infection (COVID-19).

Nevertheless, if necessary, "Leges Advokat" law firm will be pleased to assist in the process of voluntary liquidation of your company, service on drawing up all required documents, competently terminate labor contracts with employees of the company and will counsel on all issues that you may have in connection with the voluntary liquidation of the company.

"Leges Advokat" is one of the leading law firms in Uzbekistan, providing legal assistance to both foreign investors and local enterprises on a wide range of issues related to conducting business activity in Uzbekistan.

You can find detailed information about "Leges Advokat" law firm on the website: www.legesadvokat.com

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