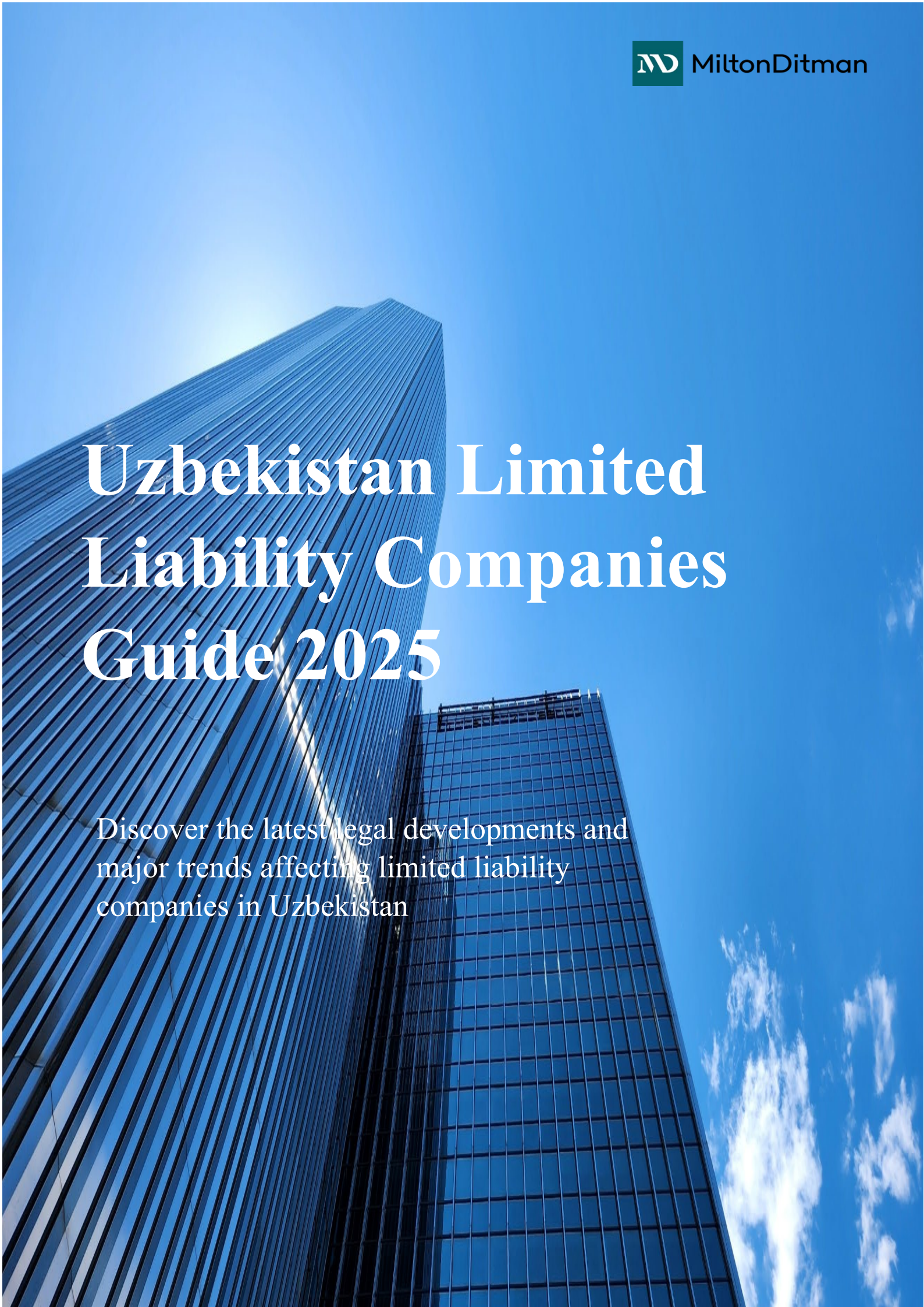


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Uzbekistan Limited Liability Companies Guide 2025

Discover the latest legal developments and major trends affecting limited liability companies in Uzbekistan

Uzbekistan Limited Liability Companies Guide

1. Introduction

Limited liability companies are regulated by the Law of the Republic of Uzbekistan "On Limited Liability Companies"[1] (‘Law’) dated December 6, 2001.

Today, a limited liability company (‘Company’) is one of the most popular corporate legal forms in the Republic of Uzbekistan.

A company is a popular way of setting up a business, suitable for both small and large companies, providing high flexibility in management and capital structure.

2. Key aspects of the legal status of the Company

A limited liability company is a legal entity established by one or more persons, the authorized capital of which is divided into shares of sizes determined by the constituent documents.

The Company's shareholders are not liable for its obligations and bear the risk of losses associated with the Company's activities within the limits of the value of the contributions they have made.

The company owns separate property, which is recorded on its independent balance sheet, and may acquire rights, bear obligations, and be a plaintiff and defendant in court in its own name.

The company may carry out any type of activity not prohibited by law.

The Company is liable for its obligations with all its property. At the same time, the Company is not liable for the obligations of its shareholders.

In the event of the insolvency of a company due to the fault of a person acting as a shareholder, such person, if the company's assets are insufficient, may be held subsidiarily liable for its obligations.

The state and its bodies are not liable for the obligations of the Company, just as the Company is not liable for the obligations of the state and its bodies.

The company's corporate name and its location

The full corporate name of the Company must contain the full name of the Company and the words "limited liability". The abbreviated corporate name of the Company must contain the full or abbreviated name and the words "limited liability" or the abbreviation MChJ.

[1] https://lex.uz/docs/18793

The location of the company is determined by the place of its state registration. The constituent documents of the company may establish that the location of the company is the permanent location of its management bodies or the main place of its activities.

The company must have a postal address through which it can be contacted and is obliged to notify the body that carries out state registration of legal entities of any change in its postal address.

3. Shareholders

The shareholders of the company are legal entities and individuals.

A company may be founded by one person, who becomes its sole shareholder.

A company may not have as its sole shareholder another company consisting of one person, except in cases where its sole shareholder is a joint-stock company consisting of one shareholder.

The number of shareholders of the company must not exceed 50 (fifty).

4. Company formation

The founders of the company conclude a founding agreement and approve the charter of the company. Concluding a founding agreement is not required if the company is founded by one person.

The founders of the company shall bear joint and several liability for obligations related to the establishment of the company and arising prior to its state registration.

Constituent documents of the company

The constituent documents of the company are a founding agreement and the charter of the company.

If the company is founded by one person, the constituent document of the company is the charter approved by this person. In the event of an increase in the number of shareholders in the company to two or more, a founding agreement must be concluded between them.

Changes to the constituent documents of the company are made by decision of the general meeting of the company's shareholders. In the event of a discrepancy between the provisions of the founding agreement and the provisions of the company's charter, the provisions of the company's charter shall prevail for third parties and shareholders of the company.

A founding agreement

In the founding agreement, the founders of the company undertake to create the company and determine the procedure for joint activities to create it.

The founding agreement also defines:
• composition of the shareholder of the company;
• the size of the authorized capital of the company and the size of the share of each of the shareholders of the company;

• the procedure, amount, methods and terms for making contributions to the authorized capital of a company upon its establishment;
• liability of the shareholders of the company for violation of the obligation to make contributions;
• conditions and procedure for distribution of profits and losses between the shareholders of the company;
• composition of the company's bodies and the procedure for the withdrawal of the shareholders from the company.

The founding agreement and amendments made to it are not subject to state registration

Charter

The company's charter, among other things, must contain:
• information on the composition and powers of the company's bodies, including on issues constituting the exclusive powers of the general meeting of the shareholders, on the procedure for making decisions by the company's bodies, including on issues on which decisions are made unanimously or by a qualified majority of votes;
• information on the size of the company's authorized capital;
• information on the size and nominal value of the share of each shareholder;
• rights and obligations of the shareholders;
• information on the procedure and consequences of a shareholder leaving the company;
• information on the procedure for transferring a share (part of a share) in the authorized capital of a company to another person;
• other information that does not contradict the law.

The charter of the Company and amendments made thereto are subject to state registration.

The charter of the company and the amendments made thereto shall become effective for third parties from the moment of their state registration.

Corporate agreement

In accordance with the Law of the Republic of Uzbekistan "On amendments and additions to certain legislative acts of the Republic of Uzbekistan in connection with the further improvement of the legal framework for corporate relations" (dated 07.02.2025 No. ZRU-1025), a corporate agreement framework has been introduced in Uzbekistan.

According to Article 8 of the Law, the shareholders of the Company have the right to conclude a corporate agreement on the implementation of their rights in the manner established by the Civil Code of the Republic of Uzbekistan.

A new article 358-1 (Corporate Agreement) has been introduced into the Civil Code of the Republic of Uzbekistan.

According to this article, the shareholders of the Company or some of the shareholders have the right to conclude a corporate agreement among themselves on the exercise of their corporate rights. In accordance with this agreement, the said shareholders undertake to exercise their corporate rights or refrain (refuse) from exercising them, including voting at the general meeting of the shareholders, to carry out actions in concert to manage the company, to acquire or alienate shares in its authorized capital

at a certain price or upon the occurrence of certain circumstances, or to refrain from acquiring or alienating them.

A corporate agreement is concluded in writing and is binding on the parties to the agreement.

The corporate agreement may not include provisions on voting by the shareholders in accordance with the instructions of the company's bodies and on determining the structure of the company's bodies and their powers. The terms of the corporate agreement that contradict these terms are null and void.

The parties to the corporate agreement are required to notify the Company in writing of the conclusion of the corporate agreement no later than fifteen days after the conclusion of the agreement, and its contents do not need to be disclosed. By agreement of the parties, the notification may be sent by one of the parties to the corporate agreement. In the event of failure to fulfill this obligation, the participants of the company who are not parties to the corporate agreement have the right to demand compensation for the damage caused to them.

Termination of the right of one of the parties to a corporate agreement to shares in the authorized capital of the Company shall not entail termination of the agreement for the remaining parties, unless otherwise provided by the corporate agreement.

A corporate agreement may provide for methods of ensuring the fulfillment of obligations arising from the agreement and liability for failure to fulfill or improper fulfillment of such obligations.

5. Authorized capital

Composition of the authorized capital

Non-cash contributions made to the authorized capital of a company, the value of which exceeds 10,000 basic calculation value (BCV)[2], are assessed by an appraisal organization and cannot be higher than the assessed value.

The minimum size of the company's authorized capital is not established by law and may be determined in licensing requirements.

Each shareholder must fully contribute to the authorized capital of the company within the period specified in the constituent documents and which may not exceed one year from the date of state registration of the company.

Contributions to the authorized capital

A contribution to the authorized capital of a company may be money, securities, other things or property rights or other alienable rights that have a monetary value.

The monetary valuation of non-monetary contributions to the authorized capital, made by the shareholders (or by third parties accepted into the company), is approved by a decision of the general meeting of the shareholders, adopted unanimously.

[2] From October 1, 2024, in Uzbekistan 1 BCV equals 375,000 soums

Increase of the authorized capital

An increase in the company's authorized capital is permitted only after it has been fully paid.

The increase in the authorized capital may be carried out at the expense of the company's property and (or) at the expense of additional contributions from the shareholders, and (or), if this is not prohibited by the charter, at the expense of contributions from third parties accepted into the company.

Reduction of the authorized capital

The company has the right, and in cases stipulated by Law, is obliged to reduce its authorized capital by reducing the nominal value of the shares of the shareholders in the authorized capital of the company and (or) by redeeming the shares belonging to the company.

A reduction in the authorized capital of a company by reducing the nominal value of the shares of all shareholders must be carried out while maintaining the size of the shares of all shareholders.

Transfer of share

A shareholder has the right to sell or otherwise assign his share or part thereof to one or more shareholders. The consent of the company or other shareholders to such a transaction is not required, unless otherwise provided by the company's charter.

The sale or other transfer by a shareholder of his share (part of a share) to third parties is permitted unless this is prohibited by the company's charter.

The shareholders enjoy a preferential right over third parties to purchase a share (part of a share) of a shareholder when it is sold by any of the shareholders.

The transfer of a share must be made in written form, unless the requirement for its execution in notarial form is provided for by the company's charter.

A person who has become the owner of 50 or more percent of a share in the authorized capital (except for the government) is obliged to offer minority participants to sell him shares at market value within thirty days, if the person did not own shares or owned less than 50 percent of a share in the authorized capital before that.

Distribution of the company's profits

The company has the right to make a decision on the distribution of its net profit between the shareholders, once every six months or once a year. The decision on determining the portion of the company's profit distributed between the shareholders is made by the general meeting of the shareholders.

The term and procedure for paying dividends are determined by the company's charter or by a decision of the general meeting of shareholders. In this case, the term for paying dividends must not exceed sixty days from the date of the decision to distribute profits among the shareholders.

Issue and placement of corporate bonds by the company

The company has the right to issue and place corporate bonds in the manner established by law.

6. Corporate governance

The highest governing body of the company is the general meeting of the shareholders.

The company's charter may provide for the formation of a supervisory board of the company.

The management of the current activities of the company is carried out by the sole executive body of the company or the collegial executive body of the company.

The general meeting of shareholders

The exclusive powers of the general meeting of participants of the company include:

- determining the main areas of activity of the company, as well as making decisions on participation in other associations of commercial organizations;
- change in the size of the company's authorized capital;
- making changes and additions to constituent documents;
- formation of executive bodies of the company and early termination of their powers;
- election and early termination of powers of the audit commission (auditor) of the company;
- election and early termination of powers of the supervisory board, if its creation is provided for by the company's charter;
- approval of annual reports and annual balance sheets;
- making a decision on the distribution of the company's net profit among the shareholders;
- approval (adoption) of documents regulating the activities of the company's bodies;
- making a decision on conducting an audit, determining the audit organization and the maximum amount of payment for its services;
- making decisions on the establishment of other legal entities, representative offices and branches;
- making a decision on the reorganization or liquidation of the company;
- appointment of a liquidator and approval of liquidation balances;
- resolution of other issues.

Supervisory Board

The powers of the supervisory board are determined by the charter of the company.

The charter of the company may stipulate that the powers of the supervisory board include the formation of the executive bodies of the company, the early termination of their powers, the creation of an internal audit service and the appointment of its employees, the resolution of issues related to the execution of major transactions, the resolution of issues related to the preparation, convening and holding of a general meeting of the shareholders, as well as the other issues.

Independent member of the supervisory board

The supervisory board of a company with a state share of more than 50 percent in the authorized capital must include at least one independent member. In this case, candidates for independent members, unless otherwise provided by the company's charter, are nominated by the supervisory board of the company for consideration by the general meeting of the company's participants, as a rule, on a competitive basis.

Sole executive body of the company (director)

The sole executive body of the company (director) is elected by the general meeting of the shareholders for a term determined by the company's charter.

Sole executive body of the company:

- acts without a power of attorney on behalf of the company, including representing its interests and making transactions;
- issues powers of attorney for the right of representation on behalf of the company;
- concludes and terminates employment contracts with employees of the company, applies incentive measures to them and imposes disciplinary sanctions on them;
- exercises other powers not assigned by the Law and the charter of the company to the competence of the general meeting of the shareholders and the supervisory board of the company.

By decision of the general meeting of shareholders, the powers of the executive body of the company may be transferred under an agreement to a commercial organization (trustee). The terms of the concluded agreement are approved by the supervisory board of the company, and in its absence by the general meeting of shareholders, unless otherwise provided by the charter of the company

Collegial executive body of the company (management board)

If the charter of the company provides for the formation of a collegial executive body of the company (board, directorate, etc.), such a body is elected by the general meeting of the company's participants in the number and for the term determined by the charter of the company.

Only an individual who may not be a shareholder in the company may be elected as a member of the collegial executive body of the company.

7. Related party transactions and major transactions

Related party transactions

Transactions in which there is an interest of a member of the supervisory board of the company, a person performing the functions of the sole executive body of the company, a member of the collegial executive body of the company, or an interest of a shareholder who, together with his affiliates, holds twenty or more percent of the votes of the total number of votes of the shareholders, may not be concluded by the company without the consent of the general meeting of shareholders.

Persons are recognized as interested in the conclusion of a transaction by the company in cases where they, their spouses, parents, children, brothers, sisters and (or) their affiliates:

- are a party to a transaction or act in the interests of third parties in their relations with the company;
- own (each individually or in aggregate) twenty or more percent of shares (interests, stakes) of a legal entity that is a party to a transaction or acts in the interests of third parties in their relations with the company;
- hold positions in the management bodies of a legal entity that is a party to a transaction or acts in the interests of third parties in their relations with the company.

The decision on the company to conclude a related party transaction is taken by the general meeting of shareholders by a majority of votes from the total number of votes of the shareholders who are not interested in its conclusion.

A related party transaction which is executed in violation of the requirements of the Law may be declared invalid by the court upon a claim by the company or its shareholder.

Major transactions

A major transaction is a transaction or several interrelated transactions related to the acquisition, alienation or possible alienation by the company, directly or indirectly, of property, the value of which is more than twenty-five percent of the value of the company's assets, determined on the basis of accounting data for the last reporting period preceding the day of the decision to make such transactions, unless the company's charter provides for a higher size of a major transaction. Transactions made in the course of the company's ordinary business activities are not recognized as major transactions.

The decision to conclude a major transaction is made by the general meeting of shareholders.

A major transaction concluded in violation of the requirements of the Law may be declared invalid by the court upon a claim by the company or its shareholder.

8. Control over the activities of the Company

Revision commission (revisor) of the company

The company's charter may provide for the formation of an revision commission (election of a revisor) of the company. A person who is not a shareholder may also be a member of the revision commission (revisor) of the company.

The revision commission (revisor) of the company is required to audit the annual reports and balance sheets of the company before they are approved by the general meeting of the shareholders.

Internal Audit Service

In a company with a state share of fifty percent or more, the book value of assets of which exceeds 100,000 of the base calculation value (BCV), an internal audit service is created. In a company that is a credit institution, the internal audit service is created in accordance with the legislation on non-bank credit institutions and microfinance activities. The internal audit service is created, and its employees are appointed by the supervisory board of the company. The internal audit service is accountable to the supervisory board of the company.

The Internal Audit Service exercises control and assessment of the work of the executive body, representative offices and branches of the company by checking and monitoring their compliance with legislation, constituent and other documents, ensuring the completeness and reliability of the reflection of data in accounting and financial reporting, established rules and procedures for the implementation of business transactions, the safety of assets, as well as compliance with the requirements for the management of the company established by legislation.

Audit of the company

To verify the reliability of financial statements and the compliance of the accounting procedure with the established requirements, an independent audit organization is engaged by decision of the general meeting of shareholders in the manner established by legislation.

9. Liquidation of the company

The company may be liquidated voluntarily in accordance with the procedure established by law. The company may also be liquidated by a court decision on the grounds provided for by legislation.

Liquidation of a company entails the termination of its activities without the transfer of rights and obligations by way of succession to other persons.

The general meeting of shareholders of a voluntarily liquidated company makes a decision on the liquidation of the company and the appointment of a liquidator.

The procedure for liquidation of a company is determined by legislation.

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