

**CONSTRUCTION MATERIALS INDUSTRY IN UZBEKISTAN**

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### Main regulatory acts

Uzbekistan has adopted the following legislative act aimed at developing the industry of construction materials:

- Customs Code of the Republic of Uzbekistan;
- Tax Code of the Republic of Uzbekistan;
- Urban Planning Code of the Republic of Uzbekistan;
- Law of the Republic of Uzbekistan on Nature Protection dated 09.12.1992 r. No.754-XII;
- Law of the Republic of Uzbekistan on Licensing, Permitting, and Notification Procedures dated 14.07.2021 No.701;
- Law of the Republic of Uzbekistan on Industrial Safety of Hazardous Production Facilities dated 28.09.2006 No.57;
- Law of the Republic of Uzbekistan on Standardization dated 03.11.2022 No.800;
- Resolution of the President of the Republic of Uzbekistan on Measures for the Radical Improvement and Comprehensive Development of the Building Materials Industry dated 20.02.2019 No.4198;
- Resolution of the President of the Republic of Uzbekistan on Additional Measures to Accelerate the Development of the Building Materials Industry dated 23.05.2019 No.4335;
- Resolution of the President of the Republic of Uzbekistan On Additional Measures to Increase the Efficiency of Using Subsoil Areas Containing Non-Metallic Minerals, dated 26.12.2018, No.4078;
- Resolution of the President of the Republic of Uzbekistan on Measures to Further Streamline Foreign Economic Activity and Improve the System of Customs and Tariff Regulation of the Republic of Uzbekistan dated 29.06.2018 No.3818;
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan on Measures to Further Improve the Procedure for Issuing Permits for the Right to Use Subsoil Areas dated 26.03.2022 No.133;
- Resolution Cabinet of Ministers of the Republic of Uzbekistan on Measures to Further Improve the Procedure for Issuing Permits for the Right to Use Subsurface Areas dated 25.03.2022 No.133;
- Resolution of the Cabinet of Ministers of the Republic of Uzbekistan on Amendments and Additions to Certain Decisions of the Government of the Republic of Uzbekistan in Connection with the Simplification of Licensing and Permitting Procedures, as well as the Consideration of Some as Invalid dated 13.07.2024 No.418;
- Resolution Cabinet of Ministers of the Republic of Uzbekistan on Approval of the Unified Regulation on the Procedure for Licensing Certain Types of Activities through a Special Electronic System dated 21.02.2022 No.80;

- Resolution Cabinet of Ministers of the Republic of Uzbekistan on the Approval of a Single Regulation on the Procedure for Issuing Individual Documents of a Permissive Nature through a Special Electronic System dated 22.02.2022 No.86;
- Resolution of the Minister of the Republic of Uzbekistan the Decision of the Republic of Uzbekistan Subject to Approval in Accordance with the List of Approved Facilities dated 30.01.2021 No.43;
- Resolution Cabinet of Ministers of the Republic of Uzbekistan on the Approval of the Unified Administrative Building Regulations in the Field of Construction dated 20.04.2022 No. 200.
- Order of the Director General of the Uzbek Agency for Standardization, Metrology and Certification on Approval of the Rules for Product Certification dated 8.03.2005 Reg.No.1458;
- Order of the Minister of Labor and Social Protection of the Population of the Republic of Uzbekistan on Approval of Labor Protection Rules for Workers in the Production Of Building Ceramics dated 19.03.2010 No. 2087
- Order of the Minister of Labor and Social Protection of the Population of the Republic of Uzbekistan on Approval of Model Standards for Free Provision of Special Clothing, Special Footwear, and Other Individual Protective Equipment for Employees of the Building Materials Industry dated 15.09.2009, No. 2006

## 1. Market Entry

There are 3 groups of companies that dominate in the construction materials market. They include:

- 1) 21 state-owned companies of Ministry of Transport of the Republic of Uzbekistan,
- 2) Steel Property Construction LLC,
- 3) and Qoyliq Kopriklar Temirbeton Qurilmalar Tajriba Zavodi UE<sup>1</sup>.

The regulators of the given industry are the Ministry of Construction and Housing and Communal Services of the Republic of Uzbekistan along with the UzSanoatQurilishMateriallari Association of Enterprises.

To enter the industry, a legal entity, preferably an LLC (limited liability company), must be established by the state registration at Centers of Public Services. Presently, the legislation permits foreigners and foreign undertakings to found LLCs.

## 2. License, Permits, and Certification

As per Uzbek law, there are certain activities or actions, for the performance of which it is required to obtain a specific document. Under Uzbek legislation, there are 3 types of such document:

- license;
- permit document; and
- notification.

License is required to carry out a licensed type of activity or its subtype, subject to mandatory compliance with license requirements and conditions. Permit document is a document issued by an authorized body in the form of a permit, agreement, conclusion, giving the right to carry out certain activities (actions) subject to mandatory compliance with permit requirements and conditions. Notification is the information sent by interested party to the authorized body on commencement or termination of certain activities.

Main regulatory acts for granting licenses, permits are regulated by

- (1) *the Law of the Republic of Uzbekistan on Licensing, Licensing and Notification Procedures,*
- (2) *the Resolution Cabinet of Ministers of the Republic of Uzbekistan on Approval of the Unified Regulation on the Procedure for Licensing Certain Types of Activities through a Special Electronic System,*

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<sup>1</sup> Unitary Enterprise (UE) in Uzbekistan is a commercial organization granted with the right of economic or operative management of the property assigned to it by the owner (state or state-owned founder).

- (3) *the Resolution Cabinet of Ministers of the Republic of Uzbekistan on the Approval of a Single Regulation on the Procedure for Issuing Individual Documents of a Permissive Nature through a Special Electronic System.*

Even though the producers of construction materials are not required to have a license to commence with the production or sale, there are other licenses and permits that shall be obtained to undertake production overall in the industry depending on the technology and methods used in the production.

2.1. *License for the design, construction and operation of high-risk facilities and potentially hazardous industries*

The list of high-risk facilities is determined by the Order of the Minister Construction and Housing and Communal Services of the Republic of Uzbekistan No.3557 dated 30.09.2024. In particular, high-risk facilities include the following industrial enterprises engaged in the production of construction materials:

- 1) Enterprises producing cement, gypsum (alabaster), chalk, lime;
- 2) Enterprises producing welding materials;
- 3) Enterprises producing asbestos products.

Production of construction materials may concern usage of hazardous production and pose danger to the health and life of employees and the environment.

In particular, production of construction materials may involve:

- 1) the usage, production, processing, formation, storage, transportation and destroy of the following hazardous substances;
- 2) substances capable of forming an explosive and flammable environment;
- 3) harmful substances related to the degree of exposure to a living organism to hazard classes I, II and III (extremely dangerous, highly dangerous and moderately dangerous), in accordance with approved standards;
- 4) explosives, which, under certain types of external influence, are capable of very rapid self-propagating chemical transformation with the release of heat and the formation of gases;
- 5) industrial waste containing substances in concentrations dangerous to human health and the environment;
- 6) equipment operating at a pressure of more than 0.07 megapascals or at a temperature exceeding the boiling point of the working fluid at normal atmospheric pressure;
- 7) permanently installed lifting mechanisms, escalators, cable cars, funiculars;
- 8) mining, extracting and processing of minerals, as well as work in underground conditions.

Therefore, if the enterprise is classified as high-risk facility, it is required to obtain a license for the design, construction and operation of such enterprises separately.

2.2. *License for the development, production, transportation, storage and sale of explosives and toxic substances, materials and products with their use, as well as explosive*

Since production of construction materials include mining of minerals where explosives are used, it is necessary to have the *license for the development, production, transportation, storage and sale of explosives and toxic substances, materials and products with their use, as well as explosive*.

The following qualifications are applicable to a licensee who stores and transports explosives:

- compliance with legislation, state standards, rules of technical safety, labor protection, environmental and sanitary standards and requirements in the field of production, transportation, storage and sale of explosives, materials and products with their use;
- protection of explosives, materials and products used and establishment of a regime aimed at preventing unauthorized use of explosives;
- presence of necessary materials and technical base (buildings, premises, areas, apparatuses, equipment, transport and other measures) in the staff of who has the appropriate qualifications and is allowed to work with explosives in accordance with the requirements of norms and rules, including managers and engineering and technical workers with relevant experience of at least one year;
- staff of employees who do not have chronic mental illnesses, drug addiction, alcoholism, criminal record for crimes related to the use of explosives;

- regular medical check-ups of employees directly performing work related to the licensed activity.
- technical inspection and maintenance of the vehicles transporting the explosives<sup>2</sup>.

In addition, there are payments envisaged to apply for the license in the amount of 4 BCV (roughly 116 USD) and to receive one in the amount of 10 BCV (roughly 291 USD).

### 2.3. Permission for the right to use subsoil

3. The mining of non-ore minerals to produce particular construction materials, such as ceramics, marble tiles, granite slabs, metal pipes and rods, requires a separate state permission to use subsoil. The procedure of obtaining permits to use subsoil and the conditions of using subsoil plots are regulated by the Law of the Republic of Uzbekistan "On Subsoil" No. 2018-XII dated September 23, 1994 (as amended on December 13, 2002) and by the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 133 dated 25.03.2022.

#### 3.1. Permission to commission buildings and facilities, the construction (reconstruction) of which has been completed

The facilities that have been constructed for the manufacture of construction materials are required to undergo an examination to be permitted for commissioning.

To be granted the permission, the following requirements shall be fulfilled:

- sanitary and epidemiological requirements and fire safety
- compliance of acceptance and commissioning with the requirements of urban planning;
- strength, stability and reliability of facilities;
- environmental protection, fire and health safety, during the operation of buildings and structures;
- accessibility for people with disabilities to the facilities;
- energy efficient and sound insulation of the facilities;
- use of renewable and energy-efficient building materials in buildings and structures.

The payment to apply for the permission amounts to 30 of 1 BCV or approximately 8 USD.

### 3.2. Certification of construction materials

Sale of construction materials is not feasible without undergoing a certification confirming safety and proper quality. The legal framework to carry out the certification is set forth in the Order of the Director General of the Uzbek Agency for Standardization, Metrology and Certification on Approval of the Rules for Product Certification.

The certifying entity<sup>3</sup> prepares and approves the several testing programs for each product, including the construction materials. Those testing programs are based on the existing quality requirements to the construction materials such as concrete and reinforced concrete, steel constructions, and others.

It is not excluded that the testing programs of the construction materials are drafted with the consideration of the local, regional, and international standards below:

Material	Local Standard (Uzbek)	Regional (CIS)	Standard	International (ISO)	Standard
Concrete	<a href="#">O'z DSt 667-96</a> : "SPKP. Construction. Concrete. Nomenclature of characteristics"	<a href="#">GOST 10181-2014</a> : "Concrete. General Specifications"		<a href="#">ISO 91.100.30</a>	
	<a href="#">O'z DSt 668-96</a> : "Concrete honeycomb. Method for determination of moisture"			Specific publications: <a href="#">ISO 22965-1:2007</a> : "Concrete — Part 1: Design and performance"	
				Expected to be replaced by <a href="#">ISO/DIS 22965-1</a> within the coming months	

<sup>2</sup> The list provides general qualifications.

<sup>3</sup> In Uzbekistan, product certification is vested in private legal entities that have passed accreditation.

	sorption"		
Iron and Steel (Reinforcements)	O'z DSSt 838-97: "Forms of steel for the manufacture of concrete products"	<a href="#">GOST 10243-75</a> : "Steel. Methods of test and estimation of macrostructure"	<a href="#">ISO 77.140.01</a> : "Iron and steel products in general"
		<a href="#">GOST 4543-71</a> : "Structural alloyed steel"	<a href="#">ISO 77.140.20</a> : "Stainless steels"
			Specific publications: <a href="#">ISO 6935-2:2019</a> : "Steel for the reinforcement of concrete — Part 2: Ribbed bars"
Bricks, Masonry and Terracotta	O'z DSSt 708-96: "SPKP. Construction. Stone walling materials. Nomenclature of characteristics"	<a href="#">GOST 379-2015</a> : "Silicate bricks, stones, blocks and partition blocks. General specifications"	<a href="#">ISO 91.100.25</a> : "Terracotta building products; Including roofing tiles, bricks, etc." is currently under development"
			For published guidance, refer to 2018 International Building Code (IBC) <a href="#">Section 2103</a> : "Masonry Construction Materials"
Cement	<a href="#">O'z DSSt 913-98</a> : "Portland cement for the production of asbestos cement products. Specification"	<a href="#">GOST k.67</a> Asbestos-cement products	<a href="#">ISO 91.100.10</a> : "Cement. Gypsum. Lime. Mortar"
	<a href="#">O'z DSSt 2801:2013</a> : "Portland cement clinker. Specification"		
	<a href="#">O'z DSSt 2834:2014</a> : "High quality cement without sulphate resistance additive"		
	<a href="#">O'z DSSt 673-96</a> : "SPKP. Construction. Asbestos-cement products. Nomenclature of characteristics"		

#### 4. Occupational Safety

Apart from the general requirements for the occupational safety of employees, the legislation establishes specific rules for the organization of safety at the facility where construction materials are produced. In particular, the employees engaged with the manufacture of the construction materials shall wear personal protection equipments such as helmets, rubber boots, overalls, and etc.

Furthermore, the legislation establishes various rules and requirements to ensure occupational safety for employees involved in the production of construction ceramics.

#### 5. Taxation

Overall, taxes, rates, tax regimes and incentives are provided in the Tax Code of the Republic of Uzbekistan.

The following are taxes and rates payable by LLCs whose business operation related to the production and sale of the construction materials:

No	Tax	Rate
1.	Income tax	15 %
2.	Value added tax	12 %
3.	Personal income tax	12 % as part of payroll
		10 % on dividends of residents and non-residents

4.	Social tax	12 % as part of payroll
5.	Property tax	1.5 %
6.	Land tax	depends on rating per location
7.	Tax for the use of water resources	per cubic meter
8.	Tax for use of subsoil	2 % for mining of iron
		5 % for mining of cement raw materials, except limestone for cement production
		6,000 soums/ton for mining of limestone for cement production
		5 % but not less than 5,600 soums/cubic meters for mining of natural facing stone blocks, sawed stones, rubble stone, marble, shell limestone, limestone (excluding that used for cement and lime production), dolomite, crushed stone, basalt, granite, granodiorite, granosyenite, syenite, porphyrite, diabase porphyrite, gabbro, shale, carbonate materials, and travertine
		5 % but not less than 14,500 soums/cubic meters for mining of gypsum stone, gypsum and anhydrite, ganch
		5 % but not less than 4,200 soums/cubic meters for mining of brick and tile raw materials, loess and loess-like rocks, building sand, sandstones, sand-gravel mixture
		5 % for mining of limestone for the production of lime, porcelain raw materials, expanded clay, marl, mudstone, volcanogenic rocks, pelitic tuffites, basalt for the production of mineral fiber, diabase, clay, andesibasalt, iron-containing additives, magnetite-hematite rocks and other non-metallic building materials and common minerals

## 6. Customs

All customs operations are primarily regulated by the Customs Code and the Tax Code of the Republic of Uzbekistan. *Resolution the President of the Republic of Uzbekistan on Measures to further Streamline Foreign Economic Activity and Improve the System of Customs and Tariff Regulation of the Republic of Uzbekistan dated 29.06.2018 No. PP-3818* comes as an addition to identify rates of the payable customs for the imported goods

To import construction materials, a business entity shall pay the following customs fees:

No.	Fee	Rate
1.	Customs duty	20 % for marble, travertine, or calcareous tuff
		20 % for granite, porphyry, basalt,
		10 % for pebbles, gravel, crushed stone or crushed stone
		30 % for gypsum
		30 % for quicklime, slaked
2.	Value added tax	12 %
3.	Excise tax	not charged on construction materials
4.	Customs service fee	depends on type of import and hours spent on clearance by the customs authority

## 7. Environment regulations

There is no specific law on environmental requirements for the construction materials production. In general, regardless of the type of activity, all companies are required to comply with environmental regulations, which are mainly stipulated by the Law on Nature Protection.

#### **8. Liquidation**

The liquidation of a business entity engaged in the production of construction materials is conducted in accordance with the general provisions governing the termination of legal entities. There are no specific regulations and requirements applicable to the entity of this industry when terminating the company.