

# Reducing bureaucratic burdens on companies due to the “act of acceptance”

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# Structure

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# 1. Introduction

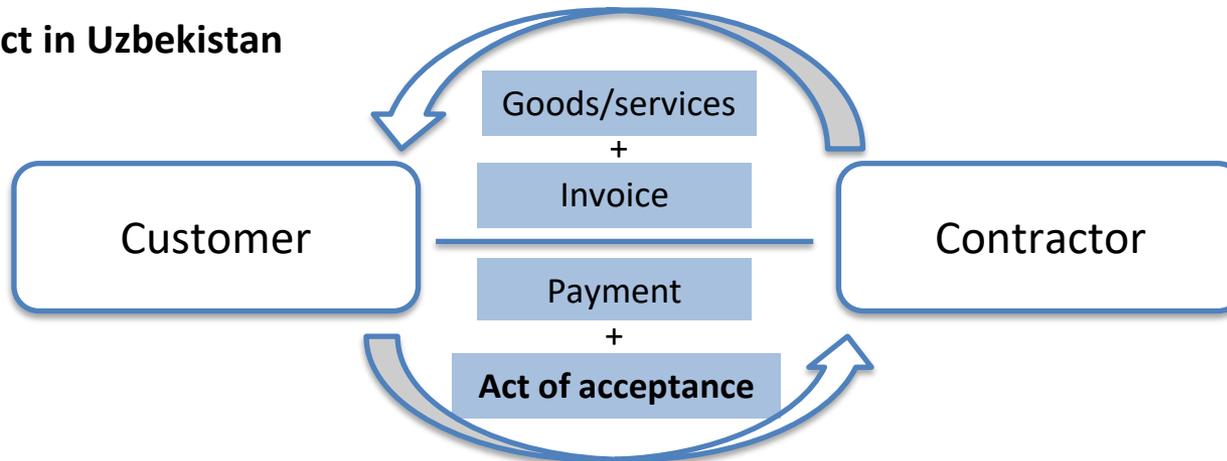
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- In our investment study\* we provide recommendations how to improve the business climate in Uzbekistan
- One of our proposals is to abolish the “act of acceptance” which is an obstacle to business activity
- In this Policy Briefing we analyse in more detail why the act can be abolished and make recommendations how this could be done

\*[Policy Study PS/02/2020: Towards a better investment climate: Proposals from German business in Uzbekistan](#)

## 2. The act of acceptance (I)

### Typical contract in Uzbekistan



The “act of acceptance” (act) or “acceptance certificate” has three characteristics:

- 1. The legal perspective:** An act, signed by the contracting parties confirms, that something has been handed over or works were actually provided and the receiving party is satisfied with its quality
- 2. The bookkeeping perspective:** In the Soviet union and post-Soviet countries booking on the accounts has been effected solely on the basis of the acceptance certificate as accounting voucher
- 3. The tax perspective:** Acts are also used for tax purposes, e.g. by establishing the date, when a work has been performed and a subsequent tax liability arises

## 2. The act of acceptance (II)

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- In **Western countries**, bookkeeping is based on the invoice, acts are used only in singular cases (e.g. construction works)
- Generally, using an act can make sense in cases immaterial goods are to be handed over, e.g.
  - For intellectual property/licenses since in such cases the acceptance certificate forms an evidence of transaction
  - For property transactions if there is no visible evidence of the transaction
- In all other cases the act the act can be compensated by other measures
  - Quality control: If one party is not satisfied with the works or the supplied goods, it will not pay the an invoice completely, there is no need for an additional act
  - Tax and bookkeeping: All necessary information is already provided by the invoice
- **From a legal, bookkeeping and tax perspective the acceptance certificate is redundant in most of the cases**
- Additionally the act does not help to prevent fraud e.g. if invoices can be falsified, so can be additional documents like the act

# 3. Problems for companies

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Companies complain about the existence of acts for additional bureaucracy

- Additional documents must be created and processed
  - Instead of using the invoice (or even the possibility of using digital invoices), paper documents must be sent over between the contracting parties
  - Procedure of exchanging paper documents leads in particular to difficulties in cooperation with Western counteragents
    - Western business do not know and do not understand why acceptance certificates are needed
    - Persons who signed the agreement usually should sign the acceptance certificate – so the board of a multinational stock company might be obliged to sign a monthly acceptance certificate for insignificant amounts
- **Additional bureaucracy affects the acceptance of Uzbek contract partners, in particular in the eyes of companies from abroad**

## 4. Status quo in Uzbekistan

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- Act of acceptance already abolished for most cases as part of reform process
- But it is obligatory for specific cases defined by the civil and the tax code, namely construction works, leasing and internal movement of goods\*
- This approach is in line with international practice, namely, to abolish it in general but to keep it for specific cases
- However, the acceptance certificates which are legally no longer needed are still widely used by companies and entered into their agreements
- Possible reasons
  1. Companies are simply used to it
  2. It is a reaction to the practice of tax authorities, that they expect and demand it from companies
- **The work of companies and tax authorities in this case is probably based on outdated assumptions and habit**
- **The application of the act of acceptance is no longer a problem of regulation but of implementation of reforms**
- **Further efforts are necessary to ensure proper implementation of changed regulation**

*\*Civil Code Article 646, 680 and Tax Code Article 242*

# 5. Recommendations

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- Issue a corresponding circular from the tax authorities to companies
- Tax administration employees (in the regions) should be informed about the current status of application of the act of acceptance
  - This could be done through additional training, in writing or in staff meetings

# About the German Economic Team



Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

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