Introduction

This guide has been designed to be used as a basic tax and legal reference guide for companies and individuals looking to do business in the Kyrgyz Republic ("Kyrgyzstan").

Due to frequent legislative changes in Kyrgyzstan, we advise that you seek professional advice before making business decisions. Deloitte accepts no responsibility for the consequences for acting on the basis of this guide without seeking such advice.
Foreign investment regime

**General**
The Foreign Investment Law provides open and liberal foreign direct investment (FDI) opportunities, by guaranteeing national treatment, non-expropriation, free repatriation of funds, freedom of monetary transactions, legal stability, free access to open data sources, intellectual property rights and access to international arbitration.

The Government places great importance on attracting foreign direct investment to help it ensure sustainable economic growth and modernization through the influx of foreign capital, technology and expertise.

Per the results of 2019, it was an increase in the income of direct foreign investors due to an increase in the volume of reinvested corporate profits up to USD 339.5 million and distributed income in the form of dividends up to USD 204.2 million. As a result, the income of non-residents from direct investments according to the results of the reporting year amounted to USD 547.9 million (USD 191.8 million in 2018).

**Legal stability**
The Investment Law provides protection against adverse changes in the investment, tax and customs legal framework for a 10-year period following investment. Should any such adverse amendments come into effect, investors and their targets are entitled to continue applying more favourable tax conditions, including for VAT, but not indirect taxes and non-tax payments, for 10 years from the moment a stabilisation agreement is signed.

Stabilisation is available to:

a) investors, if within three years of signing a stabilisation agreement, they have contributed 100% of equity to an investment target, including share capital through shares of at least USD 3 million or the KGS equivalent (at the National Bank rate on the date stabilisation agreement was signed); or

b) investors researching, prospecting and exploring natural resources, if within five years of signing a stabilisation agreement they have contributed funds to their investment target equity, including share capital through shares of at least USD 20 million or KGS equivalent (at the National Bank rate on the date stabilisation agreement was signed).

**National treatment**
The Foreign Investment Law guarantees national treatment and non-discrimination for foreign investors. Officially, Kyrgyzstan does not restrict investment in any sector, but certain limits do exist for the foreign ownership of land and real estate.

In specific cases, the authorities limit participation through licenses and other regulatory requirements.

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1 [http://www.nbkr.kg](http://www.nbkr.kg)
Repatriation of profit

Foreign investors are entitled to repatriate profits as dividends, interest and other forms of income.

Settlement of disputes

The Foreign Investment Law allows foreign investors involved in disputes with the State to obtain free access to international arbitration at the International Centre for the Settlement of Investment Disputes or an arbitration tribunal established under arbitration procedures of the United Nations Commission for International Trade Law.

Exchange controls

Kyrgyzstan has a liberal exchange system, and generally does not restrict the conversion or transfer of funds (associated with cross-border transactions) into freely-convertible currency at the market exchange rate.

Foreign exchange is widely available, and the local currency, the Kyrgyz Som (KGS), is freely convertible at banks and exchange offices.

Preferential types of the industrial activity that subject to the tax benefits.

The Government of the Kyrgyz Republic not more than once in 5 years approves the list of preferential types of industrial activities that subject to tax benefit.

This list includes the following:

1) all types of the industries based on the innovation techniques;
2) light and food industries;
3) power engineering;
4) processing of agricultural products;
5) assembling;
6) any export-oriented production.

Procedure of the inclusion and exclusion of legal entities to the list with tax benefits are determined by the Government of the Kyrgyz Republic.

Decision on the provisions of tax benefits for the preferential industrial legal entities within the territory of the certain population aggregate is based on the investment agreement approved by the regulation of the local state authority. The investment agreements are developed by the authorized state authority in the field of the attraction of investment Industrial legal entities that carry out business activity in the preferential population aggregate on the basis of the investment agreement are provided with the benefits on the following taxes:

- Corporate income tax — 0%
- Sales tax — tax exemption
- Property tax — tax exemption
- Land tax — tax benefit

The limitation period of the of the tax benefits — 5 years with the right of further prolongation up to 10 years depending on the amount sales proceeds and paid personal income tax.
Type of business presence

**General**

The main types of business forms in Kyrgyzstan are limited liability companies, open and closed joint stock companies, partnerships, sole proprietorships, branches and representative offices of foreign companies. Limited liability companies and open and closed joint stock companies constitute separate legal entities.

**Limited Liability Companies**

The limited liability company (LLC) is generally the most common business form in Kyrgyzstan, especially since minimum equity requirements were recently abolished.

Equity participation is determined based on contribution amount, unless otherwise agreed by the participants.

The main features of an LLC are:

- it has the right to engage in any type of activity not prohibited by domestic law and, accordingly, may obtain a license to do so when required;
- participants are liable up to the value of their contribution to the company;
- it is not required to issue shares; instead its participants contribute to charter capital;
- participants govern it through participants’ meetings;
- participants elect an executive body (sole or collective);
- participants are entitled to leave the company and receive its pro-rata share of net assets, without having to gain the consent of other participants;
- participants enjoy pre-emptive rights to acquire the contributions of fellow participants;
- an LLC with one participant may not act as the sole participant of another LLC;
- the number of participants may not exceed 30.

**Joint Stock Companies (JSC)**

The minimum charter capital for joint stock companies is KGS 100,000 (approximately USD 1,250).

An open joint stock company (OJSC) may have an unlimited number of shareholders and is the only form of legal entity whose shares may be openly traded similar to a western “public” company. An OJSC with 500 shareholders or more that has listed shares at least once should publish an annual report.

A closed joint stock company (CJSC), which is the most common type of JSC, is limited to a maximum of 50 shareholders and is not obliged to publish accounts. A CJSC is often the structure preferred by minority partners in a joint venture as the JSC Law grants greater rights to minority shareholders than the law governing LLCs. A CJSC is the preferred corporate vehicle for foreign investors.

The main features of a CJSC are:

- it may engage in any type of activity not prohibited by domestic law and, accordingly, may obtain a license to do so when required;
- shareholders have the pre-emptive right to purchase CJSC shares; a CJSC may not hold an open subscription of shares to an unlimited group of persons;
- if its shareholders number more than 50, it should be reorganised into an OJSC;
- shareholders govern the CJSC through shareholder meetings, which should be held at least once a year;
- one of the responsibilities of a shareholder meeting is to elect an executive body (sole or collective).
Branches and representative offices

A foreign company may establish a representative office or branch in Kyrgyzstan to represent its interests. Branches and representative offices are not recognised as separate legal entities. The difference between a branch and a representative office lies in the nature of the activities they are entitled to perform. A representative office can only represent the interests of the legal entity, and this normally limits its activities to those of a non-commercial nature, such as marketing or the gathering of information.

A branch, in contrast, can perform all or part of the legal entity’s functions, including representation. Nevertheless, some representative offices are known to engage in commercial activities and have never been challenged by the authorities, provided they have duly completed their accounting in relation to Kyrgyz tax legislation.

Registration requirements

Through the Law On State Registration of Legal Entities, Branches and Subsidiaries, Kyrgyzstan has implemented a simplified “one-stop” system to register legal entities, whereby the registrar is responsible for distributing the required documentation to all other interested authorities.

The registration procedure is comprised of:
1. internal corporate procedures (resolutions etc.);
2. state registration;
3. stamp creation.

Under the new rules, social fund and tax authority registration is not required; however, joint stock companies are required to register share issues with the financial market regulator, which increases the time required for registration.

State registration of a branch/representative office of a foreign legal entity.

To register a branch or representative office, applicants should file the following with the justice authorities:

- an application;
- an extract from a parent company resolution to incorporate a branch/representative office; approve branch/representative office regulations; appoint a branch/representative office chief executive;
- branch/representative office regulations; a document regulating branch/representative office activities, such as their rights and obligations, legal address, parent company name and legal address, branch/representative office longevity, the aim and authority of the branch/representative office and others;
- parent company constitutive documents, which should be translated into Russian or Kyrgyz, with the translation being notarised.
Employment regulation

General

The Kyrgyzstan Labour Code, adopted on 4 August 2004, applies to all employment relationships in Kyrgyzstan and is mandatory for all employers and employees, including Kyrgyzstan nationals, foreign nationals, stateless persons and employees of foreign international organisations and legal entities.

Employment agreements

Employment relations are formalised in permanent or fixed-term employment agreements, governed by the Kyrgyzstan Labor Code.

The permanent employment agreement is the default option under the Labor Code, while fixed-term agreements may only be concluded if certain legislative requirements are met. Employees may enter into employment agreements with several employers simultaneously.

The Labor Code allows employees to terminate employment agreement at any time by giving 14 calendar days prior written notice to their employer.

Employees should be notified personally in the event of staff redundancies or company liquidation at least one month before actual termination.

Employees made redundant due to staff redundancy, company liquidation or reorganisation, should receive compensation of no less than two months’ average salary.

Employment visas and permits

Employment issues for foreign nationals are governed by immigration and labor law.

A Kyrgyzstan company or foreign company branch/ representative office can only employ foreign nationals if they have obtained:

- a permit to hire foreign nationals;
- an individual work permit for the foreign national in question

Both permits are issued according to annual government quotas.

One of the criteria for employing foreign nationals is that they need to demonstrate skills that are not available locally.

Permit to hire foreign nationals

Currently, immigration law does not differentiate between Kyrgyzstan legal entities and foreign company representative offices or branches when hiring foreign nationals to work in Kyrgyzstan.

Employers do not require a permit to hire foreign nationals if the individuals in question:

- have official refugee status;
- have been given political asylum in Kyrgyzstan;
- are employed by foreign companies manufacturing, supplying and installing equipment in Kyrgyzstan;
- are accredited correspondents or journalists;
- are students working during holidays or at universities in their free time;
- according to international treaties are recognised as other foreign nationals.

Permit to hire foreign nationals

Permits to hire foreign employees are issued to employers once applications and other documents have been filed. Both employer permits and work permits for foreign nationals are normally issued for one year, but may be extended. If the extension option is not available, a new permit may be obtained.
Kyrgyzstan follows the continental legal system, meaning that Parliament ("Jogorku Kenesh") is the only authority authorised to issue laws. There is no court precedent doctrine in Kyrgyzstan, which is why court decisions are treated as recommendations only.

The Constitution stipulates that taxes or levies, as well as sanctions for tax violations, may only be established by laws enacted by the Jogorku Kenesh.

A new Tax Code entered into force on 1 January 2009 to develop a fair and reasonable tax system, ease the tax burden on business, simplify tax procedures, encourage saving and investment and economic development in the country.

Under the new tax regulations, the main taxes applicable to investor activity are as follows:

- corporate income tax;
- personal income tax;
- value added tax;
- excise duties;
- property tax;
- sales tax;
- land tax;
- income tax on gold mining companies;
- subsoil use taxes (bonuses and royalties);
- tax withheld at the source of payment on non-residents' income.
Corporate income Tax (CIT)

Payers
Legal entities (whether domestic or foreign), individual entrepreneurs and tax agents paying Kyrgyzstan-source income to a non-resident legal entity are liable for CIT.

To be subject to CIT, foreign legal entities should operate in Kyrgyzstan through a permanent establishment or generate income from Kyrgyzstan sources.

Taxpayers registered in accordance with Kyrgyzstan legislation are liable for CIT on their worldwide income.

Taxpayers may apply simplified CIT reporting methods if their annual income does not exceed KGS 30 million (approximately USD 375,000).

Tax rates
The general corporate income tax rate is 10%.

Leasing company profit will be taxed at 5% from 1 January 2017 until 31 December 2021.

Corporate income tax is charged at 0% for legal entities and individual entrepreneurs mining gold ore, concentrate and alloys, and refining gold.

Taxable profit
Taxable profit is defined as accounting profit subject to certain corrections in accordance with the Tax Code.

Income
Income includes both sales income (i.e. total proceeds from the sale of goods, work, services and property rights) and non-sales income. A list of types of non-sales income is provided in the Tax Code and includes:

- interest income;
- dividends;
- royalties;
- FOREX gains;
- lease or rental income;
- fines, penalties and interest received as a result of the termination of contractual obligations and a debtor compensating for losses;
- a transfer of assets free of charge;
- accounts payable written off by a creditor;
- income from the sale of non-depreciable assets;
- contractual insurance payments, except amounts related to insured fixed assets;
- income received from the sale of shares, derivatives and debt securities (less original cost);
- doubtful debts;
- subsidies;
- amounts received in exchange for an arrangement to limit or cease business activities.

The Tax Code provides the following exhaustive list of types of income exempt from corporate income tax:

- property received as charter capital contributions;
- dividends received from domestic companies;
- property received as contributions to a simple partnership;
- property received for trust management purposes;
- share premium from own shares;
- interest income and capital gains from the sale of listed category one and category two securities as at the sale date;
- income from the sale of fixed assets by finance lease agreement.

Deductible expenses
Under the new Tax Code, costs are deductible as long as they are:

- linked to income-generating activities;
- supported by relevant documentation.

Business trips
The Tax Code does not provide any limitations on transportation and accommodation expenses as long as they are properly documented.

Per diems may be deducted up to limits set per country. Employees are subject to personal income tax on any amounts exceeding those upper limits.
Representative expenses
The Tax Code lists the following representative expenses as deductible:
• transportation and hotel costs;
• translation costs.

Interest
Any interest expenses paid or incurred by taxpayers in the course of their business activities are generally deductible. However, interest expenses incurred and paid in relation to the purchase or creation of depreciable fixed assets and that impact the cost of fixed assets before implementation should increase the value of those fixed assets.

Research and development
Research and development costs are fully deductible.

Mining companies should also accrue a special 15% reserve of the taxable base and use it within five years to carry out exploration work. Any part of it remaining after five years should be paid to the budget.

Geological exploration, research and development and primary mining expenses should be capitalised and depreciated at the maximum rate of 50%.

Depreciation
The Tax Code and accounting law recognise assets, both tangible and intangible, valued in excess of KGS 10,000 (approximately USD 125) as depreciable.

There are five depreciation groups under the Tax Code. To calculate asset depreciation, taxpayers should use the declining balance method. The straight-line method is used for buildings and other structures after 20 years of operation.

<table>
<thead>
<tr>
<th>Group</th>
<th>Types of assets</th>
<th>Depreciation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Passenger vehicles, automobiles, peripheral equipment, office machinery and data processing equipment</td>
<td>30%</td>
</tr>
<tr>
<td>2</td>
<td>Trucks, trailers, buses; construction machinery and equipment for all industries, office furniture, intangible assets</td>
<td>25%</td>
</tr>
<tr>
<td>3</td>
<td>Assets not included in other groups</td>
<td>20%</td>
</tr>
<tr>
<td>4</td>
<td>Railway, sea and river transport, power equipment, turbines, electric motors and diesel generators</td>
<td>10%</td>
</tr>
<tr>
<td>5</td>
<td>Main buildings and constructions</td>
<td>10%</td>
</tr>
</tbody>
</table>

Repair expenses
The Tax Code allows the deduction of expenses incurred to repair fixed assets.

The maximum deduction for repair expenses is 15% of the balance of each fixed asset group at the beginning of the tax period. Excess repair expenses should be added to the costs of the tax depreciation group.

Losses carried forward
Losses incurred by a taxpayer from economic activities may be carried forward for up to five calendar years. Aggregate annual income for the appropriate year should be decreased by that amount.

Tax period
The reporting period for corporate income tax is the calendar year.

Tax assessment
Taxpayers make quarterly CIT advance payments based on 10% of revenue received during the previous reporting period.

Timing
Annual CIT returns are due by 1 March of the following year. Any tax liabilities due must also be paid in full by that date.

Quarterly advanced payments should be remitted 3 times during calendar by the 20th of the 2nd month following the reporting quarter.

CIT exemptions
The following activity are exempted from CIT:
• charity organizations;
• societies of disabled people of I and II groups, organizations of the Kyrgyz society of blind and deaf, individual entrepreneurs that employed disabled, blind and deaf people and if such employees at least 50 % of the total number of employees and their wages amount to at least 50% of the total salary fund. The list of such companies, organizations and individual entrepreneurs is determined by the Government of the Kyrgyz Republic;
• agricultural producer;
• authorities of penitentiary system of the Kyrgyz Republic;
• agricultural cooperatives;
• credit unions;
• pre-school educational organizations (kindergartens of private ownership);
• private medical institutions of cardiac surgery;
• private educational organizations;
• the Main Department of the State Specialized Security Service of the Ministry of Internal Affairs of the Kyrgyz Republic;
• machine and tractor station;
• trade and logistics center of agricultural purposes;
• new producers of electric and thermal energy, gas and renewable fuels in a gaseous state, liquid biofuels obtained from usage renewable energy sources is exempted from CIT within 5 years from the date of operating of power plants based on the usage of renewable energy sources.

Features of the taxation of the profit related to the large investment.
Profit of a domestic company related to the production and sale of the own products, including production and sale of processed goods on the territory of the KR with using solely new equipment is subject to the CIT at the rate 0% if a taxpayer:

• received proceeds from sales of produced goods at KGS 170,000,000 (approximately USD 2,125,00) for the tax period; and
• paid monthly personal income tax at KGS 150,000 (approximately USD 1,875) during the tax period; and
• paid authorized capital not less than KGS 10,000,000 (approximately USD 125,000).

New equipment is considered as equipment imported on the territory of the KR after May 1, 2015 and not used before May 1, 2015 as well as usable immovable property that are own property of a domestic business entity or using by a domestic business entity business entity in accordance with finance lease contract.

**Value added tax (VAT) Payers**

Businesses, including representative offices and branches of foreign companies, individual entrepreneurs registered for VAT, and any entities importing goods into Kyrgyzstan are payers of VAT.

Entities carrying out business activities are required to register for VAT purposes in Kyrgyzstan if total turnover exceeds KGS 8 million (approximately USD 100,000) over a period of no more than 12 consecutive months.

**Taxable supplies**

VAT is charged on the majority of goods sold, and work and services supplied in Kyrgyzstan, including those supplied free of charge. VAT is also charged on most imports into Kyrgyzstan.

**Place of supply rules**

Place of supply rules are used to determine whether goods, work or services are supplied in Kyrgyzstan and, thus, subject to Kyrgyzstan VAT. Goods are recognised as sold in Kyrgyzstan if they are located in Kyrgyzstan and are not being removed to outside the country.

The place of supply for work and services is generally recognised as the place of business of the supplier, except in the following cases:

• services related to immovable property and movable property — where the property is located;
• health, cultural, sports, arts, educational or tourism services — where the services are physically performed;
• services provided by an agent; the lease of movable property, except for vehicles; staff secondment services; consulting, audit, legal, engineering, advertising and data processing services; the transfer of rights to intellectual property; and the processing of goods released under inward processing customs procedures — the buyer’s place of business.

**VAT rates**

VAT may be charged at one of two rates:

• 0% on 1) the supply and export of metal-containing ores, concentrates, alloys and refined metals; 2) international passenger, baggage and cargo transportation, except by railway and transit flight; international transportation services, except international railway transportation; 3) electricity supplies to pumping stations;
• 12% on all other taxable sales of goods, work and services.

**VAT exemptions**

The following are all exempt from VAT:

• provision of land, including rent, but excluding provision of spots for retail trade and parking of vehicles;
• provision of residential buildings and premises;
• agricultural products manufactured from a taxpayer’s own primary products;
• public utility services and pensions;
• financial and insurance services;
• the sale and repair of qualifying medical equipment; the supply of medicines in accordance with a government-approved list;
• local passenger transportation and international railway transportation;
• the supply and export of metal-containing ores, concentrates, alloys and refined metals; privatisation;
• the export of work and services;
• the supply of pre-school educational organizations (kindergartens of private ownership);
• the supply of private medical institutions of cardiac surgery;
• supply of private educational organizations;
• the supply of mineral fertilizers and products for chemical protection of plants.

**Exemptions from VAT on import**

The following goods are all exempt from import VAT:

• fixed assets imported by VAT payers for own production purposes with value of imported fixed assets that value exceed of KGS 200,000, with operational life more than 1 year and with certain EEC CN FEC codes;
• special goods and equipment intended for the construction of power plants based on the usage of renewable energy sources in accordance with the List approved by the Government of the KR;
• electro energy, natural gas;
• goods under the agreement on the social important object;
• special goods for disables persons;
• school books, school supplies, scientific publications;
• humanitarian aid and/or grants in order established by the Government of the KR;
• banking equipment (ATMs, POS terminals, payment terminals and bank kiosks);
• food for children, medicines, including vaccines and medicines for animals, as well as medical products and others.

**Taxable value**

The value of a taxable transaction is determined based on the price/amount payable for supplies or imports that a taxpayer receives or is entitled to receive from a customer. The latter includes any duties (except state duties), taxes, and/or other fees, but excludes VAT and sales tax. The taxable value of imported goods is the customs value of those goods.
The taxable value of imported goods also includes all transportation, insurance and other expenses incurred during their import, as well as total customs fees and taxes payable on their import, except for VAT. VAT payable to the budget on taxable turnover is determined as the difference between output VAT accrued on taxable turnover in an invoice and input VAT paid to a supplier. If a taxpayer’s turnover is VAT-exempt, VAT is usually offset according to the proportion of taxable turnover to total turnover. The VAT amount that is not offset is deductible for Corporate Income Tax purposes.

**VAT invoices**

VAT payers are required to issue a VAT invoice via e-system to the recipient of goods, work or services upon delivery of the goods or services.

**Timing**

VAT returns are filed monthly and amounts due paid by the 25th of the month following the tax period. A record of VAT invoices issued and VAT invoices on goods (work, services) purchased during the tax period should also be submitted along with VAT returns.

**Reverse charge VAT**

Reverse charge VAT is not applicable.

**VAT on import supplies from Eurasian Economic Union**

Imports into Kyrgyzstan from other Eurasian Economic Union member states are subject to indirect taxes (VAT and excise duties), and should be supported by the specific documents.

Exports from Kyrgyzstan to other Eurasian Economic Union member states are subject to 0% VAT and should be confirmed by specific supporting documents.

**Property tax**

**Payers**

The following are subject to property tax:

- Kyrgyzstan and foreign legal entities;
- Individuals owning movable and immovable property in Kyrgyzstan, including property obtained under financial lease or mortgage agreements.

**Taxable base**

The taxable base for immovable property is based on the area of the property using the following formula:

\[ TB = V \times A \times Ki \times Kr \times Kz \]

where

- \( V \) is the taxable value of 1 m², depending on operational life and building materials used, and may vary from KGS 4,000 to 15,000 (approximately USD 50-190);
- \( A \) is the taxable area of residential premises (excluding non-taxable area, which varies depending on the type and population of the location) or the total area of business premises;
- \( Ki \) is the industrial index used for business premises, which varies from 0.2 to 1.6; for residential premises \( Ki = 1 \);
- \( Kr \) and \( Kz \) are regional and zone coefficients, which depend on the location of the property. These coefficients may vary from 0.1 to 1.2.

The taxable base for movable property is engine capacity and operational life.

**Tax allowances**

Under the Tax Code, various types of property are tax-exempt; for example, property belonging to diplomats and international missions and organisations, and the property of disabled individuals/organisations of disabled and handicapped individuals.

Certain categories of taxpayers are eligible for exemptions and reductions.

**Tax rates**

The tax rate for immovable property is 0.35% for residential property and 0.8% for property used in business activities.

The tax rate for movable property varies from KGS 0.05 to 1.8 per m³ of engine capacity.

**Property located in other regions**

When an entity owns taxable, immovable property located in a region other than the region in which it is registered, it is required to pay tax to the budget at each property location. The tax rates and the filing and payment procedures are governed in accordance with the law of that particular region.

**Payment and filing deadlines**

The tax period for property tax is the calendar year. However, legal entities and individual entrepreneurs should make quarterly tax payments for immovable property. Individuals should pay the tax by 1 September. Tax payments for movable property should be paid by 1 September.

Legal entities and individual entrepreneurs should file a tax information report by 1 March together with the annual CIT declaration, and individuals by 1 April.
Other taxes

**Sales tax**

**Taxpayers**
Legal entities, whether domestic or foreign, operating in Kyrgyzstan through a permanent establishment and individual entrepreneurs are subject to sales tax.

**Taxable base**
Generally, the Tax Code defines proceeds from sales of goods, work and services, excluding VAT, as the taxable base for sales tax purposes. Special taxable base provisions are stipulated for certain types of industries.

**Tax rates**
The Tax Code defines the following sales tax rates:
1. For the sales of the goods, works and services that are subject to VAT and/or exempted from the VAT paid in cash:
   - 1% for trading activities;
   - 2% for other activities;
   - 0% for the non-cash transactions.
2. For sales of goods, works and services made by non-VAT payer and paid in cash:
   - 2% for the trade activity;
   - 3% for other activities;
   - 0% for the non-cash transactions.
3. Sales tax rate is fixed at a rate of 2% for the bank and 5% for the cellular activity.
   - 1% for trading activities;
   - 2% for other activities;
   - 0% for the non-cash transactions.

**Payment and filing deadlines**
Taxpayers should file and pay the tax monthly, before the 20th of the month following the reporting month.

**Land tax**

**Overview**
Land tax is a local tax with rates fixed by local authorities.

**Taxpayers**
Land tax is paid by legal entities and individuals owning land or holding rights to the temporary use of land.

**Taxable base**
Land tax is accrued based on area. Certain exemptions exist for historical or cultural sites, national parks and land used by the state. In cases of joint ownership, the tax base is determined for each taxpayer’s share of the land.

**Tax allowances**
Tax exemptions are available for land occupied, for example, by disabled individuals, retirees, and large families.

**Tax rates**
Land tax rates depend on the location and purpose of the land in question.

**Payment and filing deadlines**
Although the reporting period for land tax is the calendar year, tax should be paid three times a year by taxpayers owning agricultural land and quarterly by taxpayers owning other types of land.

In addition, the local authorities are entitled to exempt certain categories of taxpayers from land tax.

Information on land tax should be filed by 1 March of the year following the calendar year together with the annual CIT declaration.

**Excise duties**

**Payers**
Excise duties are payable by companies and individual entrepreneurs either producing excisable goods or importing and selling them for retail within Kyrgyzstan.

**Excisable goods**
The main categories of excisable goods are ethyl alcohol and certain spirit-based products, cigarettes and tobacco products, and certain oil products.

**Transactions subject to excise duties**
Excise duties are generally charged on excisable goods sold in or imported into Kyrgyzstan.

Imports of excisable goods into Kyrgyzstan from other Eurasian Economic Union member states are subject to excise duties, and should be supported by the specific documents.

**Deductions**
Excise duties paid by taxpayers on excisable goods they have purchased may only be deducted if the goods are sold for the further production of other excisable goods, and not as a final product.

**Rates**
Excise duties vary greatly, depending on the kind of excisable goods in question, and are amended periodically by the government. Excise duties are generally charged according to either the quantity of excisable goods or their value, depending on whether the duties are specific (i.e. a fixed amount per unit) or set as a percentage of the sales price.

**Payment and filing deadlines**
The reporting period for excise duties is the calendar month. Payment deadlines may vary.

Certain alcohol and tobacco products, both domestic and imported, require an advance payment by way of an excise stamp, which must be attached to each item prior to sale.

All taxpayers should file reports by the 20th of the month following the reporting month.
Transfer pricing rules have been introduced into the new Tax Code, allowing the tax authorities to review prices used by taxpayers in “controlled transactions”:

- between related parties;
- involving the “barter” of goods;
- qualifying as cross-border transactions, i.e. “foreign trade transactions”;
- without supporting documentation to confirm they took place;
- with inactive entities/individuals;
- with entities/individuals applying special tax regulations.

If the tax authorities establish that a taxpayer price differs from the market price, they are entitled to assess additional tax liabilities, late payment interest and penalties based on the market price.

If the transaction price deviates from the market price by more than 20%, the tax authorities may recalculate related tax liabilities using actual market prices.

Kyrgyzstan uses OECD methodology to determine arm’s length prices, as follows:

1. the comparable uncontrolled price method;
2. the resale price method; and
3. the cost plus method.

Preference is given to the first method, while the other two methods may be used only if comparable or pricing data for the market in question is not available.

The burden of proving that prices do not meet the arm’s length principle lies with the tax authority.

If the tax authorities determine that the income of an entity is understated as a result of its selling goods at a price lower than the market price, the entity should adjust its income accordingly for the purposes of calculating its tax liabilities. The tax base for other taxes, such as VAT, should also be adjusted. Penalties and interest on overdue tax will be due with regard to any adjustments made.

The following may be used to determine market prices:

1. official sources of information on market prices;
2. sources of information on exchange quotations;
3. data available from the state authorities and other sources of information.
**Taxation of individuals**

**Personal Income Tax (PIT) Taxpayers**
As opposed to many other countries, domicile and citizenship do not play a role in deciding tax residency in Kyrgyzstan.

An individual, with a Kyrgyzstan or foreign national, is considered a tax resident of Kyrgyzstan if he or she is physically present in Kyrgyzstan for at least 183 days over a period of 12 consecutive months ending within the current tax period. Tax residents are taxed on their worldwide income, whether paid in cash or in kind, and on imputed income received during the calendar year.

Individuals who are not considered residents of Kyrgyzstan, i.e. those who spend less than 183 days in Kyrgyzstan over a period of 12 consecutive months ending within the current tax period, only pay tax on their Kyrgyzstan-sourced income, irrespective of the nature of the income received.

**Income tax rates**
A unified 10% tax rate applies to both residents and non-residents.

**Taxable income**
Taxable income is defined as gross income, less allowable deductions and exemptions. For personal income tax purposes, gross income is defined as all income, whether received in cash, in kind, or in the form of work and services received by a taxpayer.

The PIT base cannot be less than the minimal income index, which is 40% of the monthly average wage for the previous year, based on statistics provided by the government.

Taxable items include, but are not limited to:
- employment compensation, in cash or in kind;
- compensation for management participation;
- payments made by an employer on behalf of an individual employee for goods, work and services;
- “imputed income”, such as savings from low-interest loans and gains from the free receipt or discount purchases of goods;
- insurance payments;
- insurance premiums paid by an employer for its employees;
- interest, dividends and royalties;
- capital gains from the sale of:
  - vehicles owned for less than one year;
  - immovable property owned for less than two years;
  - securities.
- subsidies, pensions, scholarships, compensation for emotional distress, allowances, or winnings, except those paid from the state budget;
- debt write-off income.

**Deductions and exemptions**
The 10% tax rate applies to taxable income after the following deductions:
- standard deductions;
- social deductions;
- property deductions.

These deductions are not available to non-residents.

**Standard deductions**
Taxpayers are entitled to a standard monthly deduction of KGS 650 (approximately USD 8) for each month income is accrued during the calendar year.

An additional monthly deduction of KGS 100 (approximately USD 1.25) is granted for each dependent.

Deduction on social fund contributions, excluding amount social fund contributions on income that exempted from PIT.
Taxpayers are also entitled to deduct contributions made to the state pension fund and non-state pension funds, up to a maximum of 8% of total taxable income.

**Social deductions**
Social deductions may be claimed against amounts paid by taxpayers for the education of their dependents up to the age of 24, at a licensed educational institution or school board and confirmed by documentation, but limited to 10% (25% for taxpayer that has three or more dependents) of total taxable income prior to this deduction being made.

**Property deductions**
Mortgage interest is deductible up to a limit of KGS 230,000 (approximately USD 3,300) per tax year.

**Exemptions**
Non-taxable income includes, but is not limited to:
- state allowances, including subsidies, pensions, scholarships, maternity leave and unemployment benefits, as well as payments from the Presidential Fund and Government Reserve Fund;
- specific government cash and in-kind distributions, such as per diems, allowances for work at high altitudes or under hazardous conditions, special uniforms or footwear;
- employer payments for obligatory medical examination and treatment, obligatory insurance payments and premiums, professional education;
- the reimbursement of certain expenses incurred during the course of business trips and supported by proper documentation;
- dividends received by a resident individual from Kyrgyzstan companies;
- interest paid by Kyrgyzstan banks;
- interest and capital gains on category one and category two listed securities, as at the sale date;
- specific property received as a gift or through inheritance.

**Assessment and collection procedures**

**Tax returns**
Individuals required to file an income tax return should do so by 1 April of the year following the tax year. Any tax due, based on a tax return, should be paid no later than 1 April of the following tax year.

Tax returns should be filed with the local tax authorities to report all income received during the tax year, specifying every item, sources, amounts and dates. Deductions are either given by an employer (standard deduction or by the tax authorities (when filling a tax return).

Taxable income is taxed at the rate shown above.

**Tax withholding**
Employee income is the most common payment withheld. PIT withheld by an employer should be remitted to the state by the 20th of the month following the month when the income is actually paid.

**Double taxation**
Kyrgyzstan has signed a number of bilateral double tax treaties, which, under certain conditions, enable individuals to avoid taxation of the same income in two countries through tax exemptions in one of the countries or tax rate reductions.

Moreover, personal income tax paid in foreign countries may be credited against Kyrgyzstan PIT, provided documents supporting taxes paid abroad are shown to the local tax authorities.

Tax paid abroad should not exceed income tax under Kyrgyzstan tax law.

**Social contributions**
Under the Social Insurance Law, legal entities, including foreign company branches and representative offices, and private entrepreneurs are payers of social contributions, which include:
- obligatory pension contributions (OPS);
- obligatory medical insurance contributions (OMIC);
- employee healthcare fund contributions (EHFC); and
- cumulative pension fund (CPF) payments;
- Kyrgyzstan employers and employees, as well as foreign national residing permanently in Kyrgyzstan, are liable for the following social contributions:
  - employers — 17.25% of an employee’s accrued gross remuneration (2% OMIC, 15% OPS and 0.25% EHFC);
  - employees — 10% of gross remuneration (8% OPS and 2% CPF).

Social contributions are not charged for foreign nationals residing temporarily in Kyrgyzstan for employment purposes.

Female employees born before 1 January 1969 and male employees born before 1 January 1964 are exempt from CPF contributions, and only make pension fund contributions at the 10% rate.

However, Kyrgyzstan employers pay OPS at their own expense, at 3% of gross remuneration paid to a non-resident temporarily residing in Kyrgyzstan.

**Payment and reporting**
Taxpayers (employers) are required to file monthly, social fund reports. Social contributions are payable on monthly by the 15th day of the month following the reporting month. SFC reports should be submitted by the 20th day of the month following the reporting month.
Non-resident company
Kyrgyzstan-sourced income

A foreign legal entity’s Kyrgyzstan-sourced income that is not attributable to a permanent establishment (PE) may be subject to withholding tax at source. For taxation purposes, a Kyrgyzstan entity or foreign legal entity with a registered PE making payments to a foreign legal entity with no PE is obliged to act as a tax agent. This implies having to withhold tax on Kyrgyzstan-sourced income if that income is not connected with a Kyrgyzstan PE. Failure to do so may lead to fines of up to 50% of the amount not withheld.

The Tax Code defines the term “permanent establishment” as a place of management, subdivision, office, factory, workshop, construction site, mine, plot of land, or any other separate permanent place of activity through which a foreign company fully or partially engages in business activities in Kyrgyzstan. The term is used exclusively for tax purposes and does not affect an entity’s legal status. The following expressly give rise to a PE:

- exploration for or the extraction of natural resources for a period exceeding 183 days within any 12-month period;
- construction, installation, assembly, adjustment and related maintenance services continuing for 183 days or longer within any 12-month period;
- the provision of services, including consulting services, through the engagement of personnel for 183 days or more within any 12-month period.

Withholding tax is applied to the following types of Kyrgyzstan-sourced income:

<table>
<thead>
<tr>
<th>Rate</th>
<th>Types of income</th>
<th>Rate</th>
<th>Types of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Dividends and interest</td>
<td>10%</td>
<td>Royalties and copyright</td>
</tr>
<tr>
<td>5%</td>
<td>Insurance premiums payable under insurance agreements; international freight; and international telecommunication services</td>
<td>10%</td>
<td>Other work and (or) services provided in Kyrgyzstan</td>
</tr>
</tbody>
</table>

Withholding tax applies to any form of payment, including payments in kind, or the mutual offsetting of liabilities between buyers and sellers.

To claim double tax treaty benefits, when paying Kyrgyzstan-sourced income, foreign legal entities should satisfy all exemption requirements provided in Regulations for the Application of Double Tax Treaties.

Non-residents should complete and submit applications with the tax authorities along with supporting documentation, which should include, among other things, constituent documents, and copies of agreements, invoices, and any other relevant documents.

Applications should be approved by the competent authorities in the non-resident’s home country, signed and stamped.

A similar procedure applies to refunds of previously withheld tax.
Tax administration

**Tax audits**
Under the Tax Code, the tax authorities are entitled to carry out two main types of tax audits of individual and corporate taxpayers — desk tax audits and field tax audits.

**Desk tax audits**
The tax authorities generally carry out desk tax audits in their own offices on the basis of tax returns, financial statements and other relevant documentation submitted by a taxpayer.

**Field tax audits**
Field tax audits are carried out at a taxpayer’s office or business premises at the head of the auditing tax body’s initiative.

A field tax audit may not last for more than 30 calendar days, or 50 calendar days for “major taxpayers”.

**Tax audit limitations**
The Tax Code establishes certain provisions limiting the powers of the tax authorities in relation to tax audits. Field tax audits may only cover the three-year period ending on the audit start date. However, the statute of limitation for tax violations is six years from the violation date.

The tax authorities may not conduct more than one field tax audit within a single 12-month period.

The Code of the KR on “Administrative responsibility” provides administrative fines that can be imposed on company officials as well as the legal entity itself for different types of tax violations.

**Fines and interest**
The Tax Code sets out the following sanctions on taxpayers for tax violations:

- a late payment of tax is subject to interest of 0.09% for each day payment remains overdue. Total interest may not exceed the amount of unpaid tax;
- the evasion of tax registration, i.e. conducting business activities without registering with the tax authorities, is subject to a fine equal to potential tax liabilities, but no less than 50 times the monthly calculation index (approximately USD 63);
- failure of payment or incomplete payment of withheld taxes to the state budget by tax agent is subject to the tax sanction at 10% of tax amount payable, which was not paid, and/or not fully paid for each full or incomplete month from the due date, but not more that 50% of the tax amount;
- tax understatement — taxpayers understating tax liabilities are subject to one of the following fines:
  - if the difference is less than 2% of comprehensive annual income for CIT purposes, no fines apply;
  - if the difference is within 2-5% of comprehensive annual income, the fine is 50% of the understated amount;
  - if the difference exceeds 5% of comprehensive annual income, the fine is 100% of the understated amount.
Taxation in the mining industry

Overview
Mining companies, companies selling gold ore, concentrate and alloy and companies refining gold, in addition to regular corporate income tax, are subject to an additional income tax that is charged based on the gold price at the payment date.

Tax base
The tax base is the value of gold alloy and refined gold based on sales prices net of VAT and sales tax, or the value in concentrate form and other intermediate products containing gold, calculated using global prices as per the procedure established by the government.

Tax rates
The income tax rate varies according to changes in the gold price.

<table>
<thead>
<tr>
<th>Price of gold per 1 troy ounce (USD)</th>
<th>Income tax rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>till 1300</td>
<td>1</td>
</tr>
<tr>
<td>1301 – 1400</td>
<td>3</td>
</tr>
<tr>
<td>1401 – 1500</td>
<td>5</td>
</tr>
<tr>
<td>1501 – 1600</td>
<td>7</td>
</tr>
<tr>
<td>1601 – 1700</td>
<td>9</td>
</tr>
<tr>
<td>1701 – 1800</td>
<td>11</td>
</tr>
<tr>
<td>1801 – 1900</td>
<td>13</td>
</tr>
<tr>
<td>1901 – 2000</td>
<td>14</td>
</tr>
<tr>
<td>2001 – 2100</td>
<td>15</td>
</tr>
<tr>
<td>2101 – 2200</td>
<td>16</td>
</tr>
<tr>
<td>2201 – 2300</td>
<td>17</td>
</tr>
<tr>
<td>2301 – 2400</td>
<td>18</td>
</tr>
<tr>
<td>2401 – 2500</td>
<td>19</td>
</tr>
<tr>
<td>2501 and above</td>
<td>20</td>
</tr>
</tbody>
</table>

Tax period
The reporting period for income tax is the calendar month.

Tax assessment and timing
Income tax is assessed monthly, with payment due within 20 days of the end of the reporting month. Tax returns should be submitted before the 20th of the month following the reporting month.
Taxation of subsoil users

The following is a brief overview of special taxes levied on taxpayers holding licenses to participate in subsoil exploration and development in Kyrgyzstan.

**Bonuses**
Bonuses are a one-time payment due from subsoil users for prospecting rights and the right to exploit existing mineral deposits.

**Payers**
Bonuses are paid by local and foreign companies operating through a PE in Kyrgyzstan, as well as individual entrepreneurs holding mining licenses. The following activities entail the payment of bonuses to:
- development of a mineral deposit, including extraction of groundwater;
- explore mineral deposits;
- search of mineral deposit;
- collection of mineralogical, paleontological collections for commercial purposes;
- collecting stone material for decorative purposes and use as ornamental stones and building materials.

**Tax base**
Bonuses are levied based on the volume of mineral reserves according to the state mineral deposits register, declared amount of ground water to be extracted, size of the licensed area.

**Tax rates**
The Government of the KR is responsible for setting rate of bonus by mineral types, basing on quantity of mineral reserves and size of the licensed area.

**Payment and filing deadlines**
Payers are required to file a report and pay any amounts due within 30 days of receiving a subsoil usage license.

**Royalties**
Royalties are regular payments made by subsoil users for the right to develop and operate mineral deposits.

**Taxpayers**
Royalties are paid by local companies, foreign companies operating through a PE, and individual entrepreneurs:
- developing mineral deposits;
- extracting (from under the subsoil) groundwater;
- extracting oil and gas during hydrocarbon pilot testing and prospecting;
- mining for pilot testing purposes and (or) responding to emergency situations.
Tax and Investment Guide

Tax base and rates

The tax base for royalties is:

- proceeds (less VAT and sales tax) from the sale of minerals or products after the processing of minerals;
- the volume of products sold in bulk;
- the metered volume of water extracted from the subsoil (except for specialised water supply organisations);
- Royalties are fixed for specific volumes of water collected at the following rates:

<table>
<thead>
<tr>
<th>Minerals</th>
<th>Unit of measurement</th>
<th>Tax rate (KGS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral water and fresh drinking water</td>
<td>m³</td>
<td>200</td>
</tr>
<tr>
<td>Mineral water and thermal water used for bainotheraphy</td>
<td>m³</td>
<td>0.05</td>
</tr>
<tr>
<td>Thermal water used for heating</td>
<td>m³</td>
<td>0.12</td>
</tr>
<tr>
<td>Drinking water</td>
<td>m³</td>
<td>0.15</td>
</tr>
<tr>
<td>Fresh water for technical use</td>
<td>m³</td>
<td>0.10</td>
</tr>
<tr>
<td>Fresh water used in agriculture</td>
<td>m³</td>
<td>0.01</td>
</tr>
</tbody>
</table>

- Royalties are charged on sales proceeds from the following minerals:

<table>
<thead>
<tr>
<th>Minerals</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold, silver and platinum</td>
<td>5%</td>
</tr>
<tr>
<td>fields with reserves of more than 10 tonne</td>
<td></td>
</tr>
<tr>
<td>fields with reserves of 3 – 10 tonne</td>
<td>3%</td>
</tr>
<tr>
<td>fields with reserves of less than 3 tonne</td>
<td>1%</td>
</tr>
<tr>
<td>Gypsum</td>
<td>6%</td>
</tr>
<tr>
<td>Natural stones used in the production of facing materials</td>
<td>12%</td>
</tr>
<tr>
<td>Bituminous and brown coal</td>
<td>1%</td>
</tr>
<tr>
<td>Special water supply organisations</td>
<td>5%</td>
</tr>
<tr>
<td>Other minerals</td>
<td>3%</td>
</tr>
</tbody>
</table>

Payment and filing deadlines

Subsoil users should report on and pay royalties monthly by the 20th of the month following the reporting month.
Special tax regimes

Tax law provides for the following special tax regimes:

1. for small businesses, broken down into:
   • voluntary patents (for individual entrepreneurs not registered for VAT purposes);
   • simplified tax regulations, based on a single tax.
2. obligatory patents for specific business activities (recreation, exchange offices and others);
3. tax contracts between the tax authorities and taxpayers;
4. for entities registered in SEZs (free economic zones);
5. park of high technologies regime.

The simplified and tax contract regimes cannot be used by financial and insurance institutions, investment funds or market makers.

6. Tax on mining for entities engaged with the blockchain.
7. Simplified taxation based on the tax from the retail.
Kyrgyzstan offers ample investment opportunities due to its natural resources, growing consumer demand for goods and services, and its skilled workforce.

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