

Opinion on [On non-tax payments](#)

Local led protests against mining companies are occurring too often in Kyrgyzstan lately. MP Iskhak Pirmatov, Chairman of the Committee on Transport, Communications, Architecture and Construction believes that a bill he developed to amend the Law "On non-tax payments" will help improve the situation.

At a meeting with business representatives Pirmatov explained the benefits the community would receive from the introduction of this law.

According Pirmatov, infrastructure is poor in remote areas, in which mined deposits of minerals are mainly located. Lack of funding leads to increased social tensions and claims to the deposits' developers. There have been incidents in which local people destroyed investors' property which led to significant monetary damage. This situation discourages entrepreneurs, concluded Pirmatov.

The bill suggests that the developers to pay two percent of their profits toward local budgets distributed directly to local authorities (Keneshes). Pirmatov also proposed that Public Supervisory Committees monitor the transparency of this process.

Deputy Minister of Economic Regulation Adylbek Kasymaliev stated that, in principle, Government has no objection to the document.

Kuban Ashyrkulov, General Director of Andash Mining Company and a member of the Mineral Resources Committee at the International Business Council, reported that the Committee supports the MP's initiative and that some companies are already providing on a voluntary basis support to the community in infrastructure development. Setting standards will help to limit unreasonable requests from the local people to mining companies and improve relations with the local population. As a result, investment in the mining industry will grow.

Currently, there is a successful precedent of establishing a fund for local development with payments of one percent of income under an agreement between Centerra and the Government of Kyrgyzstan. Members of the Mineral Resources Committee believe that in the case of mandatory payments, the experience of Centerra should be taken into account, and the size of non-tax deductions should be one percent.

The mechanism of this initiative is another very important issue. How will the law ensure the transparency of the distribution of funds? What is the mechanism of decision-making about the allocating within the local budget? Does the community trust the actors from local authorities? Mining companies are willing to pay a portion of their profit but who will guarantee their safety? "Current legislation guarantees the inviolability of private property, but we are all witnesses of violations of these guarantees," General Director said.

The representative of Kumtor Operating Company, Rysbek uulu Toktogul noted that for several years, Kumtor has supported the community in the Issyk-Kul Oblast through the financing of social projects in the region. One percent of their gross income goes to the Fund for development of the Issyk-Kul Oblast. Over the past two years, the region has received \$18.86 million from Kumtor. This financial assistance is fixed by the Agreement on New Terms between Centerra and the Kyrgyz Government which was concluded in 2009. However, there are many unresolved questions on how to harmonize the agreement with the law.

Chaarat Zaav Company Director Alexander Novak proposed a mechanism of mutual responsibility of the parties. Thus, if a company will operate smoothly, it will properly make payments into the fund of the local community. However, if the company stops because of obstacles from the local community, then payments will not be charged for the period of the forced stop.

Meanwhile, MP Pirmatov believes that if the local population begins to receive money from the mining companies, it would be interested in the venture's success. The deputy agreed that the bill should be carefully refined.

Business representatives expressed a lot of serious comments. Thus, Director of the W. Jacobs Audit company Elena Morozova said that under the Law "On the fundamental principles of budgetary law in the Kyrgyz Republic" non-tax payments are considered budget income and they should be allocated in accordance with this law. Therefore, they cannot be directed in a particular budget of a local community.

Chief Financial Manager of Kyrgyz Petroleum Company Andrey Pedan also believes that the payments to the local community funds are taxes, while the bill provides charging non-tax payments.

Deputy Board Chairman of Kyrgyzaltyn, Tilek Sabyrov supported representatives of the business community. Despite the big money that the Issyk-Kul region get from Kumtor, no new jobs or local business are created, and the money is just 'eaten through'. In addition, Sabyrov considers it unfair to burden only mining companies with additional payments. Why do't MPs propose to levy additional taxes and other revenue payments on other sectors of the economy?

Almaz Alimbekov, representative of Talas Gold Mining Company, expressed the opinion that the bill will not solve the problem of relations with the local community. Many fields are not developed, and are at the stage of exploration. At the moment, local authorities make good money from mining companies on the ground by subsoil users. With the introduction of the new Tax Code, changes were made to the Land Code. Now local keneshes set conditions and procedures for land leasing, including the limit fee. The result is that keneshes, without any justification, expose resource users for incredibly high prices for the use of land. The amount for land rent increases from year to year.

Mining companies are willing to support the bill, but expects that the state and local governments will also meet their obligations.

Summarizing the discussion, it was decided to establish a working committee to finalize the draft law with the participation of business representatives.

Prepared by Lidia Savina