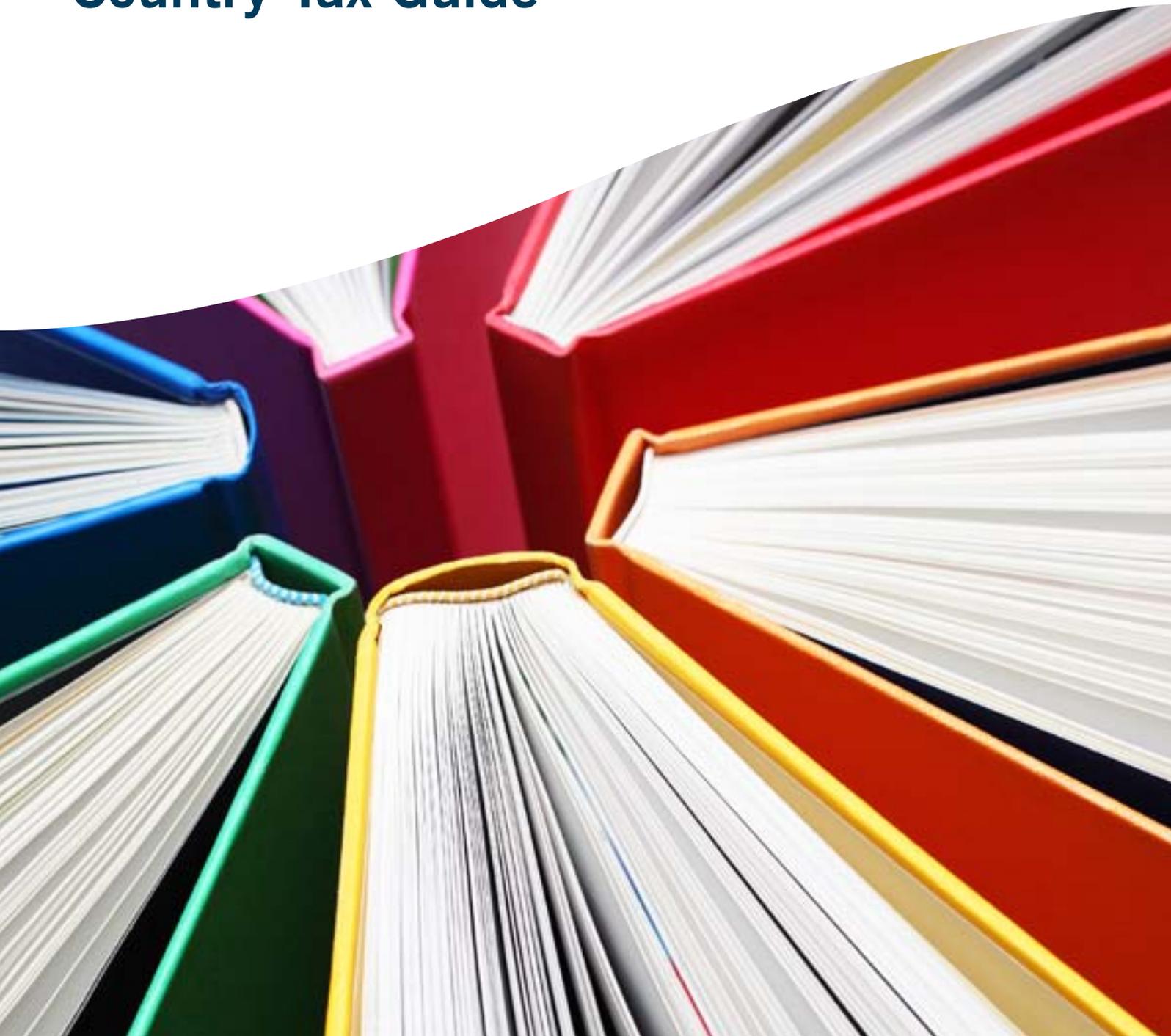


Country Tax Guide





Kyrgyz Republic

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Corporate Income Taxes

Domestic organisations and individual entrepreneurs are generally subject to tax on their worldwide income.

Foreign organisations and non-resident individuals carrying out activities through a permanent establishment in the Kyrgyz Republic are generally subject to tax on their Kyrgyz Republic source income, subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 10%. A 0% rate applies to taxpayers engaged in mining activities and sales of gold ore, gold concentrate, gold alloy and refined gold; however, such taxpayers are subject to a monthly income tax on (i) revenue (excluding VAT and sales tax) from the sale of gold alloy and/or refined gold, and (ii) the value of gold (based on world prices in a manner prescribed by the Government) in gold-bearing ore and gold concentrates. The tax rates vary from 1% to 20%, depending on the price of gold. Certain activities, organisations and companies are exempt from corporate income tax, including agricultural producers and leasing companies. From 1 January 2017 to 31 December 2021, the tax rate for leasing companies will be 5%.

Small and medium-sized business (as defined) may use a simplified procedure for determining their corporate income tax base. Qualifying small business entities (as defined) may choose to apply a simplified tax system.

Taxable income must generally include any taxable capital gains. Certain gains are not included in taxable income, including gains in respect of securities held on the day of sale listed on the stock exchange in the highest and second highest listing categories.

Losses from the sale of securities may only be deducted against the sale of other securities. Any unutilised losses from the sale of securities can be carried forward for up to five years. Unutilised losses associated with economic activity can generally be carried forward for up to five years. Legislation does not provide for losses to be carried back.

Group tax consolidation is not available in the Kyrgyz Republic; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is the calendar year.

The corporate income tax return is generally due for filing by 1 March of the following year. Taxpayers may apply for an extended filing date. The maximum extension granted by the tax authority is 30 days. An extended filing date does not extend the tax payment deadline.

Taxpayers (excluding those that are tax exempt or that are subject to tax at the 0% rate) are required to submit quarterly tax returns and preliminary income tax payments from the second quarter of the year. The quarterly tax return and payment is due by the 20th day of the second month following the quarter. The reporting periods are the first quarter, the first six months, and the first nine months of the fiscal year. The provisional payment should amount to 10% of the accounting profit calculated for the relevant reporting period, minus the amount paid in the previous reporting period (where applicable). Any remaining corporate income tax due is payable by the same deadline as for filing the corporate tax return.

Personal Taxes

Citizens of the Kyrgyz Republic and resident individuals are generally subject to tax on their worldwide income.

Non-resident individuals who are not citizens of the Kyrgyz Republic are generally subject to tax on their Kyrgyz Republic source income, subject to the terms of any relevant tax treaty.

Individuals are generally subject to income tax on their taxable income at the rate of 10%.

Taxable income must generally include any taxable capital gains, subject to exemptions, eg for certain gains from the sale of movable or immovable property used for personal purposes and not acquired for business purposes.

The value of property and services received by an individual from a close relative by way of gift or inheritance is not subject to tax (unless received in the course of business activities).

There is no wealth tax in the Kyrgyz Republic.

Employment Related Costs and Taxes

Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, taxable benefits-in-kind form part of the taxable income of individuals and are subject to income tax.

Social security costs

Employers and employees are generally required to make social security contributions in respect of pensions, medical insurance and healthcare. The rate for employers is 17.25% of employee gross salary. The rate for employees is 10%.

Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	Rate
Dividends	10%
Interest	10%; interest income in respect of securities held on the Kyrgyz stock exchange in the highest and second highest listing categories is exempt
Royalties	10%
Works and services	10%
Insurance payments	10% if in respect of compulsory insurance or reinsurance contracts; otherwise 5%
Telecommunications or transportation services in international communications and transportation between the Kyrgyz Republic and other countries	5%

Until 31 December 2016, certain payments to foreign entities without a permanent establishment in the Kyrgyz Republic paid by a leasing company are subject to withholding tax at the following rates:

	Rate
Dividends	1%
Interest	1%
Royalties	0%
Works and services	1%

For payments made to recipients in countries with which the Kyrgyz Republic has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

Value Added Tax (VAT) and Sales Tax

VAT

VAT is generally levied on the taxable supply of goods, works and services in the Kyrgyz Republic and on taxable imports.

The standard VAT rate is 12%. A 0% rate applies to certain supplies, including exports of goods (excluding exports of gold and silver alloys and refined gold and silver), certain international transportation services, and certain services relating to international transport. Certain supplies are VAT exempt, including certain supplies of residential buildings and land, certain agricultural related supplies, public services, specified medical supplies, certain financial and insurance services, certain passenger transportation services, and exports of works and services.

Entities engaged in business activities are generally required to register for VAT purposes if taxable supplies of goods, works or services exceed KGS4m in a consecutive 12 month period or in a period of less than 12 months. Entities that are not required to register for VAT purposes may generally register voluntarily.

Registered entities can generally recover the VAT with which they themselves are charged on their purchases of goods, works and services, subject to conditions and possible exceptions.

Sales tax

Sales tax is generally levied on domestic organisations, foreign organisations operating in the Kyrgyz Republic through a permanent establishment, and on individual entrepreneurs, subject to exemptions. Sales tax is generally levied on revenue from sales of goods, works and services, excluding VAT and sales tax. Different tax bases apply in specified circumstances. The sales tax rates vary depending on factors such as the type of activity and whether the sales of goods, works and services are subject to VAT.

Other Taxes

Property tax

An annual property tax is generally levied on the taxable value (as defined) of property as follows (subject to exemptions):

Property	Tax Rate
Group 1: houses, apartments and country houses designed for temporary or permanent residence that are not used for business purposes	0.35%
Group 2: houses, apartments, country houses, guest houses, holiday homes, motels, resorts, production, administration, industrial and other capital structures designed and/or used for business purposes	0.8%
Group 3: temporary facilities made of metal and other structures such as kiosks and containers designed and/or used for business purposes	0.8%
Group 4: vehicles, including self-propelled machines and mechanisms	Varies depending on factors such as the type of vehicle and the year of manufacture

Land tax

An annual land tax is generally levied on owners of land and/or land use rights, subject to exemptions. The tax base is the owned area of land (as defined). The land tax rates vary depending on factors such as the use and location of the land.

Subsoil use tax

Subsoil use tax generally applies to bonuses and royalties relating to the right to use/use of natural resources, subject to exemptions.

Excise taxes

Excise taxes are imposed on certain goods, including ethyl alcohol, certain alcoholic and non-alcoholic beverages, tobacco products, and petroleum.

Tax Incentives for Businesses

Research and development (R&D) expenditure

Qualifying R&D expenditure relating to the taxpayer's economic activity may be deducted from taxable income.

Free economic zones

Qualifying entities established in a free economic zone (FEZ) benefit from incentives, including an exemption from all taxes in respect of qualifying activities (unless otherwise provided by legislation). An annual fee of between 0.1% and 2% of proceeds from the sale of goods, works and services is generally payable to the General Directorate of the FEZ.

High Technologies Park

Qualifying entities established in the High Technologies Park benefit from incentives, including exemptions from corporate income tax, VAT, and sales tax. A reduced tax rate of 5% applies to employees and individual entrepreneurs resident in the High Technologies Park.

Other incentives

Other tax incentives may be available to qualifying domestic and foreign investors.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at www.bakertillyinternational.com.

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