

Tax and Investment Guide Tajikistan Reach, Relevance and Reliability



The information given in this document is of a general nature and should be treated as such. Please consult with an expert before taking any action based on it.

This document has been designed as a basic tax and legal reference guide for companies and individuals wishing to do business in Tajikistan.

Legal and business practices continue to evolve in Tajikistan, and whilst all reasonable care has been taken to ensure that this guide provides a practical explanation of the current rules, readers are urged to obtain up to date formal advice before undertaking any action.

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Table of contents

4	Foreign investment regime
5	Types of business presence
7	Employment regulations
8	Taxation
14	Other taxes
17	Local taxes
19	Transfer pricing
20	Tajik-sourced income of non-resident companies
22	Taxation of individuals
24	Customs duties
25	Tax administration
27	Taxation of subsoil users
29	Special tax regimes
30	Contact us

Foreign investment

General

Tajikistan is keen to increase inward foreign investment and to that end, in May 2007 adopted its Investment Law to attract and ensure the effective use of material and financial resources, modern technology, managerial experience, and to provide favourable conditions for investment.

To promote both local and foreign investment, the Law contains a range of investment guarantees, such as security, reinvestment and transparency in the state's interaction with investors. The Law also covers investment rights such as the freedom to import capital, property and documentation for investment purposes; the repatriation of foreign investor profit and compensation in cases of expropriation.

Since its introduction, the Investment Law has relaxed the regulations around monetary transactions; provided legal stability and free access to public information; acknowledgement of intellectual ownership rights and access to international arbitration.

Tajikistan has been developing and implementing three-year public investment programmes (PIP) since 1996 to aid the investment of public funds (both debt and equity) in the priority sector. Every year the government adopts two-year investment, grants and capital construction programmes, and at the end of 2013, adopted a programme for 2014-2016 to implement 120 projects, 39 of which have already being implemented to the tune of US\$1.3 billion. The plan over the next three years is to attract a further US\$18.8 billion¹.

The greatest share of direct foreign investment currently comes from Russia, China, Canada, Kazakhstan, the USA and UK, represented by companies such as Gazprom, Tethys Petroleum, Inter RAO UES, Zijin Mining, Gulf International Minerals, Adjind International, Hyatt and others.

The State Investment and Property Management Committee regularly lists investment opportunities in priority sectors on its website along with tender participation information (www.gki.tj).

Investment benefits

The Investment Law provides the following investment benefits on a case by case basis:

- tax exemptions;
- customs preferences;
- state grants in the form of free property, vehicles and land.

Nationalisation / expropriation

The current law protects foreign investors against nationalisation/expropriation, promising compensation at fair market value for any assets nationalised and other losses incurred. Payment is made in freely convertible currency within the timelines agreed by the parties.

According to World Bank and IFC research, in 2015, Tajikistan ranked 166th out of 189 countries in terms of the ease of doing business, but ranks higher, 56th in terms of investor protection².

The government is continuing with its programme to develop the legal framework, discourage corruption and update tax law, and in March 2013, passed a new Investment Agreement Law to attract new foreign investors to target sectors by co-investing and regulating relationships between investors and the government through investment agreements.

Exchange controls

Tajikistan has a liberal currency exchange system in place and does not restrict the conversion or transfer of investment-related funds in Somoni, the local currency, which is freely exchangeable at banks and exchange offices, into freely usable currency.

Somoni is the only permitted instrument for settlements within Tajikistan. Residents and non-residents may hold both hard currency and Somoni bank accounts, and may import and exchange currency within statutory regulations.

¹Source: www.mfa.tj

²Source: www.doingbusiness.org

Type of business presence

General

Businesses may operate in Tajikistan through a number of different forms; the main being limited liability companies; open and closed joint stock companies; private enterprise; branches and representative offices of foreign companies. The most common types of business presence in Tajikistan for foreign companies are:

- limited liability companies;
- open and closed joint stock companies;
- representative offices and branches.

Limited Liability Companies

The business form offering the most flexibility in Tajikistan is the limited liability company or LLC, with minimum capital requirements of no less than 400 times the minimum wage or Somoni 100,000 (approximately US\$ 16,000). Owner equity shares are determined by capital contributions.

LLCs may engage in any type of activity (licensed or otherwise) permitted by domestic legislation; float obligations and other securities. They are governed through shareholder meetings, which are responsible for electing executive bodies (sole or collective). Shareholders may withdraw from an LLC and receive payment for their share of net assets. Any remaining partners have the pre-emptive right to acquire any shares being sold.

An LLC with a single partner may not act as the sole partner of another LLC. Likewise, the maximum number of partners in an LLC is 30.

Joint Stock Companies (JSC)

JSCs are divided into open and closed types.

Open joint stock companies may have unlimited shareholders. Minimum charter capital is 1,000 times the minimum wage or Somoni 250,000 (approximately US\$ 40,000).

They are subject to elaborate disclosure requirements, but may openly trade their shares similar to a western "public" company.

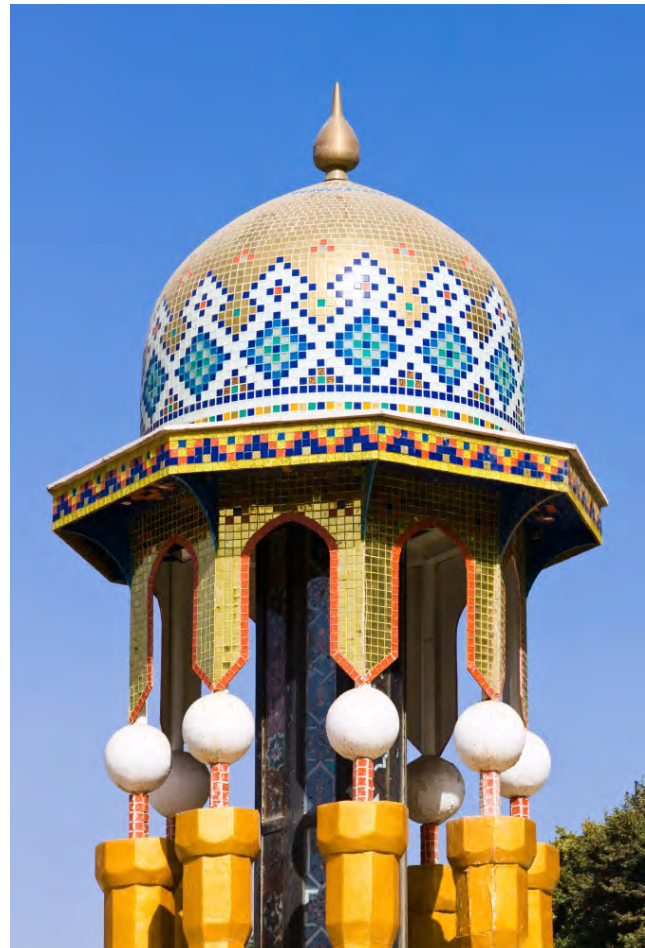
A closed joint stock company is limited to a maximum of 50 shareholders. Minimum charter capital is set at 400 times the minimum wage or Somoni 100,000 (approximately US\$ 16,000). A closed joint stock company is often the structure preferred by minority partners in a joint venture as the JSC Law grants greater rights to minority shareholders than that governing LLCs.

Under the JSC Law:

- a closed joint stock companies may engage in any type of activity (licensed or otherwise) permitted by law;
- shares are allocated exclusively among founders or another predetermined group of persons. Closed joint stock companies may not offer shares to an unlimited group of persons;
- shareholders govern close joint stock companies through shareholder meetings held at least once a year.

Branches and representative offices

Under the Civil Code, both branches and representative offices are treated as the subdivision of the head office of a foreign legal entity. Branches are entitled to perform all or a part of a legal entity's functions, including representation and entrepreneurial activities, while representative offices may only represent their parent company's interests.





Registration requirements

The Ministry of Justice is responsible for the state registration of legal entities.

To register, applicants should submit:

- an application form;
- draft constitutive documents of the entity to be registered;
- the relevant founder resolution to:
 - Incorporate a legal entity.
 - Approve constitutive documents.
 - Appoint a chief executive to the legal entity.
- An extract from the Unified State Register (if the founder is a legal entity) or personal details if the founder is an individual.
- Proof of legal address.
- Proof of charter capital contributions.
- A document confirming payment of state duties (receipt or payment order).

The state registration process takes approximately 10 days, and in that time the Ministry issues a registration certificate, after notifying the statistics and tax authorities of the same.

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

To register a branch or representative office, applicants should submit:

- an application form;
- notarised parent company constitutive documents;
- the relevant parent company resolution to:
 - Incorporate a branch/representative office.
 - Approve branch/representative office regulations.
 - Appoint a chief executive to the branch/representative office.
- branch/representative office regulations;
- parent company power of attorney to the branch/representative office chief executive;
- proof of legal address;
- a document confirming payment of state duties (receipt or payment order).

The branch/representative office registration procedure takes approximately 10 days.

Employment regulations

General

The Tajikistan Labour Code was adopted on 15 May 1997 to regulate all employment relationships in Tajikistan, irrespective of employee nationality and employer ownership structure.

Employment agreements

The Labour Code governs employer/employee relations through employment agreements, which are heavily weighted towards protecting employee rights.

Employment agreements may either be valid for indefinite or fixed terms (no more than 5 years). Indefinite term employment agreements are the default option under the Labour Code, while fixed-term agreements are only valid if certain legislative requirements are met. Employment agreements are considered to be in place for an indefinite term if a specific expiry date is not stipulated. Employees are entitled to enter into employment agreements with several employers.

Contract probation periods should not exceed three months. Employees aged 18 or younger and interns are not subject to a probation period.

The minimum monthly salary in Tajikistan is currently Somoni 250 or approximately US\$ 40.

The regular working week should not exceed 40 hours. Overtime should not exceed four hours over two consecutive days or 120 hours per year.

Minimum annual paid vacation is 24 calendar days. A total of 70 paid calendar days of maternity leave is provided both prior to, and after, giving birth. Additional leave is available until a child reaches three years of age. The second (unpaid for the second 18 months). An employee's position is kept open during this period.

Procedure for terminating employment agreements

According to the Labour Code, employment agreements may be terminated at the employee's or employer's request, if they expire or following the mutual decision of the parties to do so. Employees may terminate their employment at any time by giving two weeks' written notice to the employer.

The Labour Code lists the grounds for employers to terminate employment agreements. We have provided some of them below.

If employment is terminated due to staff redundancy or company liquidation, employees should be personally notified in writing at least two months in advance.

If employment is terminated due to an employee's unsuitability for the job, he/she should be notified at least one month in advance. If unsuitability arises due to the employee's poor health, the employer should transfer that employee (subject to his/her consent) to a more suitable position within the company. If the employee rejects the transfer, or if there is no such position available, the employment agreement can be terminated.

Employees should receive at least two months' written notification of staff redundancies or company liquidation.

The notice period for performance related issues is one month. If an employee has health issues, they may be transferred (subject to their consent) to a more suitable position within the company. If an employee rejects a transfer, or if no such position is available, their employment agreement can be terminated.

Employment (work) permits

Employment of foreign nationals in Tajikistan is governed by immigration and labour law.

Permits to hire foreign nationals are issued to companies according to annual quotas set by the president and government.

Foreign nationals should obtain a work permit to work in Tajikistan. Work permits are valid for one year.

To receive a work permit, foreign nationals should apply to the Ministry of Internal Affairs Migration Service. Decisions on applications takes 15 calendar days to process.

Work permit requirements do not apply to certain categories of foreign nationals, for example, employees of diplomatic corps and international organisations; students, the head and employees of foreign companies working in Tajikistan under intergovernmental investment agreements; investors with capital of more than US\$ 500,000 and journalists accredited in Tajikistan.

Taxation

General

On 1 January 2014, the Government adopted a new version of the Tax Code, which lists all taxes and levies, and the general tax principles established in Tajikistan, whether as national or local taxes.

Under the new Tax Code, the main taxes applicable to investment activities are as follows:

- corporate income tax;
- value added tax;
- road tax;
- payroll taxes;
- land tax;
- property tax;
- mining taxes;
- tax withheld at the source of payment from non-residents' income.

Corporate income tax (CIT)

Taxpayers

CIT applies to Tajikistan and foreign legal entities operating through a permanent establishment (PE) in Tajikistan.

Tax rate

CIT is charged at the following rates:

- 14%, but not less than 1% of gross income — from 1 January 2017, the rate will be 13% for entities involved in the production of commodities;
- 24%, but not less than 1% of gross income — for other types of entities (from 1 January 2017, the rate will be 23%);
- 25%, but not less than 1% of gross income — for profit received by a non-resident from the sale or assignment of property and (or) ownership rights that are not attributable to a Tajikistan PE.

Taxable income

Taxable income is defined as gross income received by a taxpayer less deductions allowed by the Tax Code.

Foreign companies pay CIT on profits related to a source in Tajikistan. Resident legal entities are liable for CIT on their worldwide income.

Income

Income includes both sales income (i.e. total proceeds from the sale of goods, work, services or ownership rights) and non-sales income.

Non-sales income includes goods, work, services and ownership rights received free of charge, except when assets and goods are received by a non-profit entity and used for non-commercial purposes. Non-taxable income, of which legislation provides an exhaustive list, also includes property and ownership rights received as a contribution to a company's charter capital; income received by a taxpayer-issuer from a stock floatation and dividends received by a resident entity from participation in Tajikistan companies.

Deductible expenses

Expenses are considered deductible for CIT purposes if they are incurred during the course of a taxpayer's income generating activity and supported by relevant documentation. They should not be listed as one of the specifically non-deductible expenses provided in tax law. Additional deductibility criteria applying to certain types of expenses are noted below.

Business trips

Business trip expenses are deductible within the limits fixed by the government.

Interest

Any interest expenses paid or incurred by a taxpayer in the course of its business activities are generally deductible. Interest deductions should not exceed 300% of interest calculated using the National Bank refinancing rate effective for the tax period.

Interest expenses incurred and paid in relation to the purchase or creation of depreciable fixed assets increase the value of fixed assets.

Interest payable on loans from foreign and affiliated sources is subject to thin capitalisation.

Thin capitalisation

Thin capitalisation rules restrict the deductibility of interest charged on "foreign controlled debt" and apply to a Tajikistan company's loans from a non-resident or a legal entity exempt from CIT that owns, directly or indirectly, more than 25% of that Tajikistan company's share capital.

Interest deductions are limited to interest income plus 50% of aggregate income less all allowable deductions, except for interest.

Doubtful debt

Taxpayers are entitled to deduct provisions for doubtful debt created in connection with the supply of goods, work and services, if income generated had already been included in aggregate annual income in earlier periods.

In principle, taxpayers may deduct doubtful debt provisions for CIT purposes if the outstanding debt has actually been written off in accounting ledgers.

A doubtful debt provision at the end of the reporting (tax) period may not exceed 10% of revenue for the period.

Banks, credit associations, microcredit depository institutions may deduct doubtful debt provisions subject to National Bank certain rules.

Deductions on reserves may not exceed 90% of allocations to loan loss reserves (excluding standard loans, leasing loans, unsecured loans and related party loans) under certain National Bank and Ministry of Finance rules.

Charity payments

Charity expenses may be deducted up to 10% of taxable income.

Depreciation

Under the Tax Code, depreciable assets, both tangible and intangible, have a value exceeding TJS 800 (approximately US\$ 130).

The Tax Code creates five depreciation groups:

Group	Types of assets	Maximum depreciation rate
1	Automotive road building machines, special equipment, computers and peripheral equipment, data processing equipment	20%
2	Trucks, buses, special-purpose vehicles and trailers, machines and equipment for all industries, foundry engineering press-forging equipment construction equipment, agricultural machinery and equipment, cars and office furniture	15%
3	Power equipment, turbine equipment, electric motors and diesel generator sets electricity transmission devices, pipelines	8%
4	Building, constructions, railway transport structures, river and lake passenger vessels	7%
5	Other depreciable assets not listed in other groups	10%





Expenses on intangible assets are deductible for CIT purposes at 10% as established for group 5. Intangible assets include licenses, patents, trademarks, copyrights and software used over a period of not less than 12 months, if they have a restricted useful life.

If the value of the asset group is less than 50 times the calculation index (approximately 320 US\$), the full balance of the asset group should be deducted.

Depreciation can be deducted from a CIT liability starting from the first day of the month following the month an asset is commissioned.

Repair expenses

The Tax Code allows a deduction of repair expenses for fixed assets.

Repair expenses may be deducted up to 10% of the balance value of each fixed asset group at the end of the current tax period. Excess repair expenses should be added to tax depreciation group costs.

Expenses from exploratory and preparatory mining work

Expenses from exploratory and preparation mining work are included in a fixed asset group and deductible for CIT purposes at 15%. The same rules apply to expenses to acquire mining rights, including exploration and the production of mineral resources.

Research and development expenses

Certain research and development costs connected with income generating activity are fully deductible. Expenses should be supported by primary research and development, technical and economic assessment documents and (or) acts of acceptance.

Losses carried forward

Operating losses incurred by legal entities may be carried forward for up to 3 calendar years.

Losses from the sale of property (except property used in business activities or tax-exempt property) are carried forward separately from tax losses from regular activities and may only be offset against profit from similar activities.

Taxes

The following may not be deducted:

1. PIT or CIT paid in Tajikistan or other countries;
2. late payment interest and fines due in Tajikistan or other country.

Tax exemptions

Exemptions are provided for:

- non-profit religious, charity and budget organisations; intergovernmental and international organisations, except for any profit received from business operations;
- gratuitous compensation, property, membership fees, donations and grants received by non-profit organisations;
- the National Bank and Deposit Insurance Fund;
- companies employing no less than 50% disabled persons, and in which at least 50% of payroll is paid to pensions for those individuals.

Also, the Tax Code provides tax relief to newly created manufacturing companies provided they may make the following investments during the 12-month period from registration:

- two years' tax relief — US\$ 200-500 thousand;
- three years' tax relief — US\$ 500 thousand-2 million;
- four years' tax relief — US\$ 2 million-5 million;
- five years' tax relief — over US\$ 5 million.

Tax period

The tax period for CIT is the calendar year.

Tax assessment

Taxpayers should make monthly advance payments by the 15th of each month as follows:

- 1/12 of the previous tax year's CIT liability multiplied by a coefficient of 1.1; and
- 1% of gross revenue for the reporting month.

Timing

Annual CIT returns are due by 1 April of the following year. Any tax obligations due should also be paid in full by 10 April.

Value added tax (VAT)

Taxpayers

VAT applies to companies (including representative offices and branches of non-resident companies), individual entrepreneurs, and any entity making supplies subject to VAT in Tajikistan and importing goods into Tajikistan.

Under the Tax Code, companies carrying out economic activities are required to register for VAT purposes in Tajikistan if their total turnover exceeds TJS 500,000 or approximately US\$ 80,000 during a period of no more than 12 calendar months.

Taxable supplies

VAT is charged on the majority of sales of goods, works and services supplied in Tajikistan, including those supplied free of charge. VAT is also imposed on most imports into Tajikistan. Any transfer of ownership rights and certain self-supplies, donation or exchange of goods are also subject to VAT.

Place of supply

Place of supply rules are used to determine whether goods, work or services are supplied in Tajikistan and thus, subject to Tajikistan VAT.

Under the Tax Code, the place of supply of goods is recognised as that where goods are sold or, if a supply includes their transportation, the place of supply is where the goods are located at the moment of dispatch. The Tax Code recognises the place of supply for electricity, heat energy and gas as the place of their receipt. If any such goods are exported, they are treated as being sold in Tajikistan.

Work and services are generally deemed to be supplied at the supplier's place of business, except for:

- services related to immovable property — the property's location;
- services related to moveable property — the location where the services are actually performed;
- cultural, sports, arts, educational, advertising, entertainment and recreation services and the provision

of personnel — the location where these services are performed;

- transportation services and related work — where the transportation services are actually performed;
- leases of movable property, except for motor vehicles; consulting, audit, legal, engineering, marketing, information-processing, accounting or other similar services; the transfer of rights to intellectual property (patents, licenses, trademarks and copyright) — the place of business of the buyer.

Tax rates

VAT in Tajikistan is charged at 0%, 5% and 18%.

Exports from Tajikistan are subject to 0% VAT, except for exports of raw cotton, ginned cotton, cotton yarn, initial aluminium, precious stones and jewellery and goods manufactured in Free Economic Zones, which are exempt from VAT.

To be eligible for the 0% rate, taxpayers should provide supporting documentation to the tax authorities as prescribed in the Tax Code.

The 5% rate applies to taxable supplies (except imports) made by catering, wholesale and retail trade companies, sales and supply agencies, educational institutions and construction firms. Companies subject to 5% VAT may not offset input VAT.

The 5% rate is effective until 1 January 2016.

The 18% rate applies to all other taxable sales of goods, work and services in Tajikistan.

VAT exemptions

Supplies exempt from VAT include:

- real estate (with the exceptions provided by the Tax Code);
- financial services in accordance with specifications approved by the Ministry of Finance and National Bank (with exceptions provided by the Tax Code);
- the national and (or) foreign currencies, as well as securities;
- religious and ritual services by religious organisations;
- medical services by state organisations, excluding cosmetic, dentistry and health resort services;
- educational services financed from the state budget;

- goods, work and services as humanitarian aid and the transfer of goods free of charge for the benefit of the state;
- goods, work and services by penitentiary institutions in Tajikistan;
- special-purpose goods for disabled persons according to a government list;
- precious metals and stones; jewellery made from precious metals and stones, and also aluminium and ore concentrate, ferrous and nonferrous metal scrap, ginned cotton, cotton yarn and raw cotton.

Revenue from transportation services where one of the departure or destination points is outside of Tajikistan, including passenger and baggage transportation; the international transportation of goods, fuel and other consumer items used during these transportation services, as well as certain transportation organisation services, is not subject to VAT.

The following imports into Tajikistan are exempt from import VAT:

- national and/or foreign currencies, as well as securities;
- precious metals and stones by the National Bank and the Ministry of Finance;
- industrial-engineering and agricultural equipment and its components in accordance with specifications approved by the government;
- medicines, medical and pharmaceutical equipment, and medical instruments according to a government list;
- goods used in the execution of government investment projects in accordance with grant (or credit) agreements;
- goods used in the building of important objects defined by the government;
- goods and equipment (excluding excisable goods) used in the production of primary aluminium in accordance with a list set by the government;
- special-purpose goods used by disabled persons under a list provided by the government.

Taxable value

The value of a taxable transaction is determined using the price payable for a supply or import that the taxpayer receives or has the right to receive from a customer. The latter includes any duties, taxes, and/or other fees excluding VAT.

The taxable value of imported goods is the customs value of those goods including all transport, insurance and other expenses incurred during their import, as well as total customs fees and taxes payable on the import of these goods, except VAT.

The amount of VAT payable to the budget on taxable turnover is determined as the difference between output VAT accrued on taxable turnover and the amount of creditable input VAT paid to a supplier.

Input VAT cannot generally be offset when incurred on exempt activities, and should instead be included as part of the cost of goods, work and services.

VAT on purchases and expenses should be divided between activities on which VAT is charged and those where it is not. Only those related to activities on which VAT is charged may be offset as input VAT. The remainder should be capitalised.

Taxpayers should keep separate accounting records for activities subject to VAT and those not. Failure to do so may result in disallowances, either as an offset or as a deduction for profit tax purposes.

VAT invoices

VAT payers are required to issue VAT invoices (schet-factura) (four copies) upon delivery of their goods or services to recipients of goods, work or services.

VAT invoices are officially published by order of the Ministry of Finance, strictly numbers and protected against counterfeiting.

Timing

The reporting period for VAT is the calendar month. Payers of VAT are required to file monthly VAT returns and pay any VAT due by the 15th of the month following the reporting month.

Reverse charge VAT

If foreign companies with no local tax registration supply goods, work or services in Tajikistan and these supplies are deemed to have taken place in Tajikistan according to the place of supply rules, VAT is remitted through the withholding mechanism. The buyer of these goods, work or services, who should be registered for tax, should withhold VAT from the amount due to the foreign supplier and remit the tax.

Agents registered for tax in Tajikistan and supplying goods, work or services in Tajikistan on behalf of their unregistered foreign principals should account for Tajikistan VAT as tax agents by adding it to the net value of the goods and paying it.

Road Tax

Payers

Entities subject to taxation under the general tax system are subject to road tax.

Tax base

The base for road tax is a taxpayer's total expenses. If total actual expenses are less than 70% of gross revenue, road tax is charged on the amount up to 70% of gross revenue.

Construction, fixed asset purchase and other capital expenses should be excluded from the tax base.

Tax rates

From 1 January 2015, road tax rates are:

- 0.25% — for entities involved in trade and procurement, supply and sales activities;
- 1% — for other activities.

Road tax will be abolished from 1 January 2017.

Tax allowances

Religious, non-commercial organisations and budget organisations are exempt from road tax.

Tax payment and filing deadlines

Returns are filed monthly and the corresponding tax paid by the 15th of the month following the reporting month.



Other taxes

Land tax

Payers

Landowners or entities with a temporary or permanent right to use land are subject to land tax.

Tax base

Land tax is set according to the cadastral value, quality and location of land; its ecological characteristics and designated purpose. It is levied on land area.

Certain exemptions are provided on historical or cultural sites, national parks and land used by the state.

In cases of joint ownership, the tax base is determined based on each taxpayer's proportionate share of land.

Tax allowances

Land tax exemptions are provided to land owned or used by disabled people, retirees, and the state authorities, as well as for national parks and reserve land.

Tax rates

The government sets land tax rates for each location every 5 year based on cadastral value. Rates can be adjusted annually based on inflation for the previous year.

Land tax rates may vary from TJS 1.09 to TJS 676.53 per hectare (approximately US\$ 0.2 -110) depending on the location and purpose of the land.

Depending on the area of land plots, land tax rates are calculated in the following ways:

- up to 800 m² — basic land tax rates;
- between 800 and 2,000 m² — double rates;
- Over 2,000 m² — fivefold tax rates.

Tax payment and filing deadlines

The tax period for land tax is the calendar year. The majority of taxpayers make quarterly advance tax payments.

Due dates for payment of land tax are by 15 February, 15 May, 15 August and 15 November.

Legal entities should file land tax statements by 1 March of the reporting year.

Excise duties

Payers

Excise duties are payable by companies and individual entrepreneurs making and/or importing excisable goods into Tajikistan as well as carrying out some types of communication services.

Excisable goods

The primary categories of excisable goods are spirits, alcoholic and non-alcoholic beverages, tobacco products and tobacco substitutes, mineral oil, petroleum products, bitumenols, mineral wax, liquefied gas, tyres and tyre protectors, automobiles and other vehicles used to transport people; gold, platinum and silver.

Transactions subject to excise duties

Excise duties are generally imposed on excisable goods sold in Tajikistan and on excisable goods imported into Tajikistan.

Under the Tax Code, activities subject to excise duties include:

- all standards of general mobile phone services;
- telegraph communication and IP communication services;
- telematic services;
- international and long- distance telecommunication services through mobile networks.

Tax allowances

Excisable goods may be exported from Tajikistan exempt of excise duties. To obtain an exemption, taxpayers need to comply with certain customs export procedures and present documentation evidencing the export of goods.

Tax rates

Tax rates, which are periodically adjusted by the tax authorities, vary depending on the category of excisable goods. The tax base is determined by either the quantity of goods or their value depending on whether tax rates are specific (i.e. a fixed amount per unit) or ad valorem (a percentage of the sales price).

A 5% rate applies to certain communication activities.

Excise duties are charged as at the date of sale, which is generally the date goods are dispatched. In respect of excisable services, excise duties are charged when the services are performed and an invoice issued.

A producer of excisable goods may deduct excise duties paid to purchase or import any excisable goods used to produce those goods.

Tax payment and filing deadlines

The reporting period is the calendar month. Payment and filing deadlines vary depending primarily on the category of excisable goods. For example, excise duties on excisable goods produced and excisable services should be paid and a return filed by the 10th of each month with the authorities at the taxpayer's location, by all separate subdivisions carrying out excisable transactions.

Certain alcohol and tobacco products, both domestic and imported, require an advance payment of excise duties by means of excise stamps, which should be attached to each excisable item prior to its sale.

Simplified tax system

Payers

Legal entities and individual entrepreneurs with annual revenue for the preceding financial year of less than TJS 500,000 or approximately US\$ 80,000 based on the cash method are entitled to use the simplified taxation system for small businesses.

The following are not eligible for the simplified tax system:

- individual entrepreneurs taxed according to the patent tax system;
- entities taxed according to the special tax regime for agricultural producers;
- entities taxed according to special regulations for the gambling industry.

If the gross revenue limit is exceeded, taxpayers should apply with the tax authorities to transfer to the general tax system.

Any transition to or from the general taxation system to the simplified system should be implemented from 1 January of the calendar year.

Taxpayers using the simplified tax system are exempt from CIT, road tax, VAT (excluding import VAT and reverse charge VAT) and PIT on the income of individual entrepreneurs. Other taxes should be paid in accordance with general Tax Code requirements.

Tax base and rates

The tax base is revenue generated during the reporting period, excluding excise duties and sales tax, and calculated using the cash method.

Tax rates are as follows:

- 5% — for production activities;
- 6% — for other activities.

Tax payment and filing deadlines

The tax period is the calendar quarter. Payment and filing deadlines are the 10th of the month following the reporting quarter.

Unified tax for agricultural producers

Payers

Companies and individuals generating agricultural products without further reprocessing are entitled to apply unified tax for agricultural producers and are exempt from:

- VAT, excluding import VAT and reverse charge VAT;
- Road tax;
- CIT;
- Land tax.

Tax base and rates

Unified tax for agricultural producers is charged based on land area, and takes into account the land's cadastral value, quality, location and ecological characteristics.

The tax amount is derived by the area in question by fixed tax rates, which vary from TJS 4.08 to TJS 253.39 per hectare (approximately US\$ 0.8 — 40).

Tax payment and filing deadlines

The tax period for unified tax is the calendar year, with most taxpayers making quarterly advance payments.

Payment dates are 10 March (15% of the annual tax amount), 10 June (30% of the annual tax amount), 10 September (50% of the annual tax amount) and 10 December (100% of the annual tax amount).

The filing deadline for unified tax returns is 1 March of the reporting year.

Sales tax (ginned cotton and aluminium)

Payers

Sales tax applies to specific transactions with ginned cotton and aluminium.

Taxpayers supplying, importing and exporting ginned cotton and aluminium, as well as legal entities and individuals processing or transferring the above for processing are subject to sales tax.

Supplies of ginned cotton and aluminium are exempt from VAT. Taxpayers reselling taxable goods are entitled to offset sales tax paid upon purchase of these goods.

Tax base and rates

The tax base is the cost of taxable goods processed and sold based on London Metal Exchange and Liverpool Cotton Association prices, taking into account the quality of the goods.

Sales tax rates are:

- 10% for ginned cotton;
- 3% for aluminium.

Tax payment and filing deadlines

Tax should be paid before taxable goods are supplied or within three days of receipt of payment from a customer.

Within 10 days of the purchase date of taxable goods, the customer should provide the tax authorities with a copy of payment documents.

Taxpayers file monthly tax returns by the 15th of the month following the reporting month.

Water royalties

Payers

Legal entities and individual entrepreneurs using water to generate electricity are all payers of water royalties.

Royalties base

The tax base is the quantity of electricity generated less transmission losses.

Concessions

Facilities using water to generate less than 1,000 kilowatt electricity are exempt from royalties.

Royalties rates

Royalties are charged at 0.06 times the calculation index (approximately TJS 2.4 or US\$ 0.4) for each 1,000 kilowatt-hour of electricity generated as at the end of the tax period.

Tax payment and filing deadlines

The tax period is the calendar month. The payment and filing deadlines are the 15th of the month following the reporting month.



Local taxes

Real estate tax

Payers

Individual entrepreneurs and legal entities owning or using immovable property are subject to real estate tax.

Tax base

The objects of taxation include residential buildings, apartments, cottages, buildings, installations, facilities and other constructions in Tajikistan.

Tax is based on the size of immovable property, adjusted by coefficients established by the Tax Code.

Tax concessions

Real estate belonging to religious organisations and public organisations, along with that owned by war veterans, heroes of labour, victims of the Chernobyl disaster and disabled persons, is exempt from tax.

Entities in which 50% or more of the staff are registered disabled are not subject to real estate tax.

Tax rates

Real estate tax rates depend on the location, functional use and size of the property. Maximum rates are currently applied in major towns such as Dushanbe, Kulyab, Khudjant and Kurgan-Tyube.

Rate	Types of immovable property
3%	Residential buildings up to 90 m ²
4%	Residential buildings over 90 m ²
12.75%	Property used in trade, catering and domestic services, up to 250 m ²
15%	Property used in trade, catering and domestic services, over 250 m ²
9%	Property used in other activities, up to 200 m ²
12%	Property used in other activities, over 200 m ²

Real estate tax may also be adjusted by regional coefficients, varying between 0.09 and 1.0 depending on the location of the immovable property.



Tax payment and filing deadlines

The tax period is the calendar year. Advance payments are due by 15 February, 15 May, 15 August and 15 November of the reporting year. Advance payments should equal no less than 25% of the tax amount for the reporting year.

The filing deadline real estate tax statements is 1 March of the current year.

Vehicles tax

Payers

Corporate and individual registered vehicle owners are subject to vehicles tax.

Vehicles include cars, motorcycles or buses, steamships, boats and locomotives.

Tax base

The tax base for vehicle tax is engine capacity.

Tax concessions

The following vehicles are exempt from tax:

- 1.tractors used in agriculture, as well as combine harvesters and special machines including cotton harvesters;
- 2.buses and trolleybuses owned by companies whose main activity is the transportation of passengers;
- 3.special medical vehicles;
- 4.industrial railway means of transport, excluding locomotives;
- 5.cycle-cars and cars with manual controls, used by disabled people;
- 6.one car owned by war veterans, heroes of labour, and victims of the Chernobyl disaster.

Tax rates

The amount of tax due depends on vehicle engine capacity (horsepower).

#	Taxable object	Tax rates, as a percentage of the calculation index as at the payment date
1	Motorcycles and motor scooters	2.5%
2	Pickups and vans	6%
3	Cars	7.5%
4	Buses (up to 12 seats)	7.5%
5	Buses (13-30 seats)	8.5%
6	Buses (over 30 seats)	9.5%
7	Trucks and other vehicles, 10 tonnes	11%
8	Trucks, 10-20 tonnes	12.5%
9	Trucks, 20-40 tonnes	13.5%
10	Trucks, over 40 tonnes	14.5%
11	Tractors used in construction work and agriculture	2%
12	Steamships and boats	15%
13	Railway locomotives	1%

Tax payment and filing deadlines

The filing deadline for vehicles tax statements is 1 April of the current year. Tax is payable locally at the owner's place of registration, by the annual technical inspection date.



Transfer pricing

The current transfer pricing rules are included into the Tax Code.

Generally, transfer pricing rules are substantially based on the OECD Transfer Pricing Guidelines.

In certain cases, 20% or more ownership of another entity is recognised as the main criteria for being treated as a related party. A court can recognise parties as related on grounds not specified by law, for example if the relationship between the parties has an impact on a transaction.

The tax authorities may apply transfer pricing controls if:

- a transaction is between related parties;
- the transaction is recognised as a “barter” transaction;
- the transaction is “cross-border” (a “foreign trade transaction”), where one of the parties is the resident of a “low tax” jurisdiction;
- one of the transaction parties enjoys tax benefits or concessions;
- the transaction price applied deviates from the market price by more than 30%.

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

Tajikistan uses the following OECD guidelines to determine arm’s length prices: (1) the comparable uncontrolled price method; (2) resale price method and (3) cost plus method.

The law provides detailed guidelines on how each method is applied. Preference is given to the first method, with the other two applied in the absence of comparables, or relevant pricing information.

The tax authorities are responsible for proving that prices do not meet arm’s length principles.

Data used to determine the market prices of goods, work and services should be obtained from official and publicly available sources, for example the state and local authorities, and information provided by taxpayers, experts and appraisers.

Non-resident companies' Tajikistan-sourced income



Withholding tax

A foreign legal entity's Tajikistan-sourced income that is not associated with a PE in Tajikistan may be subject to withholding tax at source. For taxation purposes, a Tajikistan entity or a foreign company with a registered PE making payments to a foreign company without a PE should withhold tax on any Tajikistan-sourced income.

The Tax Code defines the term "permanent establishment" as a place of activity through which a foreign company fully or partially engages in business activities in Tajikistan, and includes:

- the place where goods are produced, processed, packaged and supplied;
- a place of management (branch, representative office, office, factory, laboratory, agency, shop or warehouse);
- a mine, oil or gas well, quarry or any other place where natural resources are produced;
- a place associated with pipelines and gas pipelines; exploration and mining development; and equipment installation and maintenance;
- a place associated with the operation of gaming machines, computer networks and communications channels;
- a permanent base used by non-resident to carry out their business activities.

The term is used exclusively for tax purposes and does not affect an entity's legal status.

A "PE" is also the place where:

- insurance premiums are collected and (or) authorised agents insure or re-insure a non-resident's risks in Tajikistan;
- services are provided by a non-resident through hired personnel for 90 consecutive days over a 12-month period;
- a non-resident participates in a joint partnership created in accordance with Tajikistan law;
- a non-resident holds an exhibition for a fee;
- a non-resident or resident are authorised to act on behalf of a non-resident to conclude contracts.

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

Rate	Types of income
12%	Dividends, interest and royalties
6%	Income from insurance premiums, payable under insurance and re-insurance agreements
5%	International telecommunications or freight services and transportation between Tajikistan and other countries
6%	Sea freight payments
15%	Other types of income

Withholding tax is applicable, regardless of the form of payment, including payments in kind, or mutual offsets between buyer and seller.

Tajikistan has double tax treaties in place with more than 25 countries — Azerbaijan, Armenia, Belarus, Romania, the Czech Republic, Indonesia, Iran, Kazakhstan, Kyrgyzstan, Moldova, Pakistan, Poland, Russia, Belgium, Austria, Luxemburg, Brunei, India, China, Latvia, Turkey, Turkmenistan, Switzerland, Japan, South Korea, Ukraine, and United Arab Emirates.

The provisions of double tax treaties prevail over Tajikistan domestic law.

Double tax treaties

Resident legal entities are entitled to apply double tax treaties automatically (i.e. without the tax authorities' written approval) in respect of dividend, interest and royalty payments to non-residents if the non-resident in question provides a certificate of residency from their home country.

To claim double tax treaty relief on other types of Tajikistan-sourced income, foreign legal entities should provide confirmation to the tax agent of tax residency in their home country together with supporting documentation such as constituent documents, copies of agreements, invoices, and any other relevant documents.

Claims are normally processed by the tax authorities within 15 working days.

If confirmation is not provided prior to payment, and the foreign company incurs a withholding rate higher than that provided by the treaty, it may claim a refund in future tax periods.

Net profit tax

Pursuant to tax law, net profit earned by a foreign legal entity through a permanent establishment in Tajikistan is subject to 15% "branch profit" tax.



Taxation of individuals

Personal Income Tax (PIT)

Taxpayers

Under tax law, both Tajikistan resident and non-resident individuals are subject to personal income tax.

Non-resident individuals are subject to tax on income from sources in Tajikistan only.

Income tax rates

Personal income tax rates vary depending on monthly minimal salary levels. Tax is charged as follows:

#	Monthly taxable income	Tax rate and amount
1	Less than the monthly calculation index ("MCI") (approximately, US\$ 6)	No PIT
2	MCI — TJS 140 (US\$ 22)	8% from taxable income exceeding the MCI
3	In excess of TJS 140	13% plus tax calculated on TJS 140
4	Income of non-resident individual	25%

Moreover, the Tax Code states if an individual has two jobs simultaneously, PIT should be withheld at 13% without deductions, excepting social tax, which should be withheld at 1% of the employee's income.

Taxable income

Taxable income is defined as gross income less permitted deductions and exemptions. For personal income tax purposes, gross income comprises all types of compensation, both in cash and in kind including:

- Employment remuneration, in cash or in kind:
 - benefits from a low-interest loan;
 - the write-off of a debt or liabilities;
 - the gratuitous assignment of goods, work or services by an employer to an employee;
 - contractual insurance premium payments made by an employer to an employee;
 - employer payments made on behalf of employees for their education or the education of dependants, and to reimburse an employee's expenses not related to their main work.

- Remuneration for activities not related to employment:
 - interest income;
 - dividends;
 - rental income;
 - royalties;
 - income from the write-off of a debt.

- Other forms of remuneration.

Deductions and exemptions

Personal deductions

PIT is charged on taxable income after deductions of:

- the MCI or TJS 40 (approximately US\$ 6) per month. Individuals with a single place of work are entitled to personal deductions
- 10 times the MCI or TJS 400 (approximately US\$ 64) for persons equated to participants of the Great Patriotic War and other military campaigns, disabled persons and individuals suffering from the consequences of nuclear accidents
- 1% social tax withheld at source on gross income

Exemptions

Non-taxable income includes:

- state allowances, including subsidies, pensions, state bonuses, scholarships, funeral expenses, maternity leave and unemployment benefits, as well as targeted social assistance, one-off payments, humanitarian and charitable aid including grants for natural disasters and others;
- the income of foreign nationals from official diplomatic or consular work;
- the value of property received as a gift or inheritance;
- the value of gifts received from legal entities up to 100 times the MCI or TJS 4,000 (approximately US\$ 640), prizes (winnings) from international competitions up to 500 times the MCI or TJS 20,000 (approximately US\$ 3,200), prizes from state competitions up to 100 times the MCI or TJS 4,000 (approximately US\$ 640) per year;
- winnings from government bonds and the state lottery up to TJS 50 (approximately US\$ 8) per bond or lottery;
- certain distributions made in cash and in kind, i.e. per diems, uniforms, personal protection equipment, preventative diet therapy, footwear and so on;
- obligatory employer liability insurance pay outs made to employees;



- the reimbursement of specific expenses incurred during business trips and supported by proper documentation.

Tax returns

Where tax has been withheld in full at source by a tax agent, taxpayers do not need to file a tax return. However, a tax return is required if a taxpayer has other sources of income that trigger a filing obligation.

The filing deadline for annual PIT returns is 1 April of the following tax year. The total amount of tax due based on a tax return should be paid by 10 April of the following tax year.

Tax withholding

Tax agents should file tax returns for PIT withheld and pay the tax due by the 15th of the month following the reporting month.

Social tax

Payers

The following are liable for social tax:

1. individual entrepreneurs and legal entity employers, including the PE of non-residents remunerating resident individuals according to employment agreements and

for services provided under civil agreements;

2. salaried individuals;

3. resident individual entrepreneurs.

The following are not subject to social tax:

- salaries paid to foreign nationals working in Tajikistan for government investment projects;
- payments to transfer ownership rights or any other proprietary rights;
- income exempt from PIT under tax law;
- Employers and employees, as well as individual entrepreneurs, are liable for social tax as follows:
 - Employers (insurers) — 25% of gross remuneration.
 - Employees — Tajikistan residents (insured) — 1% of their gross remuneration.
 - Individual entrepreneurs — 1% of gross revenue.

Payment and reporting

The reporting period for social tax is the calendar month.

The due date for social tax payments and tax returns is the 15th of the month following the reporting month.

Customs duties

Customs duties are charged on most goods imported into Tajikistan and certain goods exported from Tajikistan. They are normally levied on the customs value of taxable goods in accordance with the Commodity Nomenclature for Foreign-Economic Activities, and according to the classification code and country of origin of the goods.

Import duty rates are normally expressed as a percentage of the value of goods imported (between 0% and 15%), known as "ad valorem" duties or as a set monetary amount per unit or kilogram — "specific" duties. They may also be expressed as the greater or sum of two — "combined" duties.

Basic import custom duty rates are not constant and vary depending on the country of origin of the goods, the type of goods and occasionally on other factors. For example, goods imported from Eurasian Economic Community member-countries and less developed countries are exempt from custom duties.

Value added tax

18% import VAT is levied on the total customs value of goods, including customs duties, due on their import into Tajikistan.

Customs fees

The following customs fees are also levied when importing goods into Tajikistan:

- customs clearance fee of US\$ 10 — US\$ 900, depending on the custom value of the imported goods;
- a customs support service fee of US\$ 3 per 10 km;
- a fee for storing goods at customs warehouses — US\$ 1 per vehicle per day and US\$ 0.01 per 50 kg for other types of goods per day.

Customs value

Customs value is defined as invoice value plus:

- the actual cost of transportation, loading, unloading and insurance activities until goods cross the Tajikistan border;
- commission and/or brokers' fees paid.

Customs concessions

Tajikistan has entered into bilateral free trade agreements with Armenia, Belarus, Kyrgyzstan, Kazakhstan, Russia and Uzbekistan. Goods manufactured in those countries are exempt from customs duties. Goods manufactured in developing countries may also qualify for 0% customs duties.

Tajikistan's accession to the Eurasian Economic Union is currently under discussion at the government level.

World Trade Organisation (WTO)

Tajikistan became a full member of the WTO in 2013.

Export customs duties

Custom duties are currently not levied on exports. However, the government is entitled to introduce them should it need to regulate foreign economic activity.

Exemptions

Goods such as the national currency; securities; gold, silver, platinum and other precious metals imported by the National Bank and Ministry of Finance; humanitarian aid and goods transferred to the authorities free of charge; medicines; agricultural machinery; goods for use in the construction of objects of national importance according to a government approved list are exempt from import customs duties.

These exemptions also apply to imported production equipment classified as fixed production assets.

Special customs regulations

The Customs Code envisages a number of different customs regimes, such as "inward processing", "re-export", "temporary import" and "bonded warehouse", all of which stipulate a full or partial exemption from import customs duties and VAT.

For example, full relief may be granted in respect of goods imported into Tajikistan for processing that are then subsequently exported.

Foreign goods may be imported as temporary imports, which provides for either a full or partial exemption from import duties and VAT for 2 years, after which, the goods should either be exported or released for free circulation with all appropriate import customs duties and VAT paid.

Tax administration



Overview

The key principles of the Tajikistan tax system, including types of taxes, the rights and obligations of the tax authorities and taxpayers and procedural aspects of tax administration, are set out in the Tax Code.

The tax system is administered by the Tax Committee, which broadly consists of inspectorates responsible for day-to-day operations such as tax registration, audits and collections; and tax directorates, which supervise the tax inspectorates and perform various other functions. The tax authorities are organised based on geographical areas, i.e. towns or regions.

Tax audits

A tax audit is the main method used by the authorities to monitor taxpayers.

Under the Tax Code, the tax authorities may carry out field tax audits and desk tax audits of individual and corporate taxpayers.

Field tax audit

A field tax audit (sometimes referred to as documentary audit) is carried out at a taxpayer's office or business premises.

Field tax audits include:

- comprehensive tax audits (covering all taxes);
- targeted tax audits (covering specific taxes); and
- counter tax audits (covering transactions with specific counterparties).

Desk (raid) tax audits

Generally, raid tax audits are generally performed in respect of:

- taxpayer registration, the existence and credibility of information regarding taxpayer location;
- the correct use of cash registers;
- compliance with bottling and excise duty labelling rules, and the sale of excisable goods.



Regularity of tax audits

Comprehensive and targeted tax audits may be carried out no more than once a year per taxpayer. Taxpayers whose gross revenue for the previous year exceeds TJS 15 million (approximately US\$ 2.4 million) may not be audited more than once per year.

Taxpayers whose gross revenue for the previous year was less than TJS 15 million (approximately US\$ 2.4 million) may not be audited more than once every two years.

Under the Tax Code, initial full scope and targeted tax audits of small businesses may be carried out 24 calendar months from their state registration date.

Duration of tax audits

Field tax audits should be completed within 30 working days, although this period can be extended for 30 working days in "exceptional cases". An audit period starts from the day a decision to carry out a field tax audit is taken and the taxpayer is made aware.

Tax audits of small businesses should be completed within 10 working days. Desk tax audits should be completed within 15 working days.

Tax audit reports

The tax authorities should issue a tax audit report within 15 working days of completion of the tax audit. A report should contain audit findings and specify which Tax Code provisions have been violated, if applicable.

If a taxpayer disagrees with the facts, conclusions or recommendations set out in a tax audit report, it may file a written objection together with supporting documents within 30 calendar days of issuance of a tax audit act.

Fines and late payment interest

The Tax Code and Administrative Code stipulate the sanctions that may be imposed on taxpayers for tax violations.

The following is a list of sanctions for the most common tax violations:

- late payment interest of 0.08% for each day a tax payment remains overdue;
- a fine of between 10 times the MCI and 300 times the MCI or TJS 400 — 12,000 (approximately US\$ 64 — 1,900) for a violation of tax registration requirements;
- a fine of 25% of VAT due for conducting business activities without VAT registration (if required);
- a fine of 1 — 100 times the MCI or TJS 40 — 4,000 (approximately US\$ 6 — 640) for the late filing of a tax return, depending on the period of delay;
- a fine of 15 — 50 times the MCI or TJS 600 — 2,000 (approximately US\$ 96 — 320) for obstructing a tax audit;
- a fine of 25 — 200 times the MCI or TJS 1,000 — 8,000 (approximately US\$ 160 — 1,300) for a tax agent's failure to withhold or remit tax;
- a fine of 25% of understated tax following full or partial non-payment if the payer decreases or calculates the tax base incorrectly. The fine is increased to 40% if the violation is repeated within one year;
- a fine of 25% of understated or overstated VAT if the payer fails to file VAT invoices which results in a VAT understatement or overstatement.

Taxation of subsoil users

Overview

Special taxes are levied on subsoil users who have entered into subsoil use contracts with the government.

Subsoil users are subject to:

- subscription bonuses;
- commercial discovery bonuses;
- extraction royalties;
- water royalties.

Subscription bonuses

The subscription bonus is a one-off fixed payment for the right to use the subsoil within a license territory.

Taxpayers holding exploration and production licenses are subject to subscription bonuses.

Subscription bonuses are set by the government and fixed in subsoil use contracts.

50% of any bonus should be paid within 30 calendar days of the date a document confirming the right to use the subsoil is issued and the remaining 50% — within 30 calendar days of the subsoil use contract effective date.

Commercial discovery bonuses

Taxpayers declaring a mineral deposit discovery in a contractual territory are subject to commercial discovery bonuses.

Commercial discovery bonuses should be paid within 90 calendar days of the date a production license is issued or confirmation from the state body regarding reserves.

Extraction royalties

Royalties are a payment made regularly by subsoil users producing mineral resources.

Rates depend on the type of minerals produced and production/sales volumes.

Rates for some minerals are shown below.

Types of minerals	Rate (%)
Petroleum, natural gas, gas condensate	6
Coal, peat	4
Ferrous materials (iron, manganese, chrome, vanadium)	4
Non-ferrous materials (copper, lead, zinc, tin and others)	6
Placer minerals	9
Precious metals (gold, silver, platinum)	6
Diamonds and precious stones	8
Semiprecious stones	8
Radioactive raw materials	5
Mining chemical feedstock and thermal water	5
Mining raw materials (concentrate) and non-metallic minerals for metallurgy	5
Other minerals	3
Non-ferrous materials produced from mining waste	0.5

Royalties are assessed monthly, with payment due on the 15th day of the month following the reporting month. Tax returns should be filed by the 15th of the month following the reporting month.

Production sharing regime

In accordance with the *Law On Production Sharing Agreements* (PSA), the government grants investors exclusive rights to prospect, develop and produce mineral resources from the subsoil for specific periods.

Production is allocated between the investor and government in accordance with PSA terms, production sharing agreement law and the Tax Code.

PSA tax legislation provides for two production-sharing models:

1. the investor's and government's shares of production are calculated based on the investor's operating costs under the PSA, which are recoverable in the form of "compensation output", which should not exceed 70% of total production output for each reporting period;
2. the procedure for allocating production output between PSA parties depends on geological evaluation and an estimate of mineral deposit and engineering design development costs, and a project feasibility study.

CIT is not payable in the PSA scenario.

Investors are also exempt from VAT in respect of goods imported into Tajikistan and minerals produced under a PSA.

PSAs are not common in Tajikistan. The first PSA was concluded with Tethys Petroleum Limited in 2008 to develop an oil and gas condensate field in Kulob.

In 2012, the government signed a PSA with Somon Oil (subsidiary of Santos and DWM Petroleum) to develop oil deposits in the Sogda region.

In 2013, a PSA with Tethys Petroleum Limited, Total and the China National Petroleum Corporation was concluded for a newly created company, Bokhtar Operating Company to develop the Bokhtar oil deposit.

At the end of 2013, the government entered into a PSA with Edgo Energy to develop two Khatlon region oil and gas deposits.



Special tax regimes

Tajikistan law provides for the following types of special tax regimes:

- **Hydro-energy sector**

Companies engaged in the construction of hydroelectric stations are entitled to apply special tax regulations exempting them specific taxes.

- **Cotton industry**

Start-up companies managing the entire cotton fibre processing cycle may be eligible for special tax concessions.

- **Free Economic Zones (FEZ)**

Taxpayers registered in a FEZ are entitled to apply tax privileges.



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