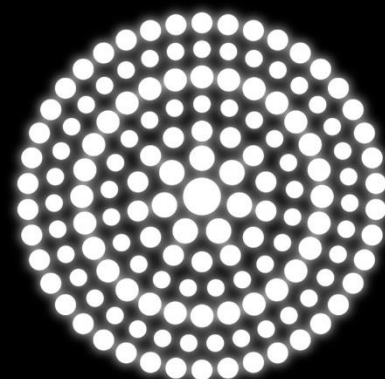


International Tax Kyrgyzstan Highlights 2020

Updated January 2020



Investment basics:

Currency – Kyrgyzstan Som (KGS)

Foreign exchange control – There generally are no restrictions on converting or transferring funds associated with cross-border transactions into freely usable currency at the legal, market-clearing rate. Foreign exchange is widely available, and the KGS is freely convertible at banks and exchange offices.

Accounting principles/financial statements – All companies in Kyrgyzstan must use IFRS. Business entities are allowed to use their own internal accounting programs.

Principal business entities – These are the limited liability company, open and closed joint stock companies, partnership, sole proprietorship, branch, and representative office of a foreign company.

Corporate taxation:

Rates

Corporate income tax rate	10% (in general)
Capital gains tax rate	10% (in general)

Residence – A legal person is a resident of Kyrgyzstan if it is established according to the laws of Kyrgyzstan or its management bodies are located in Kyrgyzstan.

Basis – Resident companies are taxed on worldwide income. Nonresident entities are subject to tax only on Kyrgyz-source income and on income received by a permanent establishment in Kyrgyzstan. Branches are taxed in the same way as business entities.

Taxable income – Taxable profit is defined as accounting profit, subject to certain adjustments in accordance with the provisions of the Kyrgyz tax code. Income includes sales income (i.e., total proceeds from the sale of goods, work, services, and property rights) and nonsales income, the latter of which includes dividends, interest, royalties, leasing income, etc.

Substantiated expenses connected with the earning of income are deductible in computing taxable income.

Rate – The standard corporate income tax rate is 10%. For leasing companies, the rate is 5% for the period from 1 January 2017 through 31 December 2021. A 0% rate applies to corporate entities engaged in the mining of gold ore, concentrate, alloy, and gold refining, as well as to certain income of domestic companies that produce and sell goods of their own production (provided the domestic company complies with criteria in the tax code; see under “Incentives,” below).

Surtax – There is no surtax.

Alternative minimum tax – There is no alternative minimum tax.

Taxation of dividends – Dividends received by a resident legal person from another domestic company are exempt from corporate income tax. Dividends received from a nonresident company are included in regular income and taxed at the general corporate tax rate.

Capital gains – Capital gains derived by a resident are taxed as regular income at the general corporate tax rate.

Losses – Losses incurred by a taxpayer as a result of its economic activities may be carried forward for up to five calendar years. The carryback of losses is not permitted.

Foreign tax relief – A foreign tax credit is granted for tax paid abroad on foreign income, provided there is a tax treaty with the country to which the tax was paid. The amount of the credit is limited to the amount of Kyrgyz tax due on the same income.

Participation exemption – There is no participation exemption.

Holding company regime – There is no holding company regime.

Incentives – Incentives are available for investments in priority economic sectors relating to business activities in special economic zones.

The corporate income tax rate for agricultural and processing businesses that comply with certain criteria, preschool organizations, and private medicine cardiac surgery businesses is 0%.

Companies operating in a high-tech park enjoy a corporate income tax exemption, VAT and sales tax exemptions, a reduced 12% rate of social security contributions, and a reduced 5% rate of personal income tax for their employees.

Profits of a company relating to the production and sale of its own products, including the production and sale of processed goods in Kyrgyzstan that are produced solely through the use of new equipment, are subject to corporate income tax at a 0% rate if the taxpayer:

- Derived proceeds from sales of produced goods of at least KGS 170 million (around USD 2.5 million) for the tax period;
- Paid monthly corporate income tax of at least KGS 150,000 (around USD 2,300) during the tax period; and
- Had authorized capital of no less than KGS 10 million (around USD 143,000).

Other – Special taxes are levied on subsoil users that hold licenses to engage in the exploration and development of the subsoil in Kyrgyzstan.

Compliance for corporations:

Tax year – The tax year is the calendar year.

Consolidated returns – Consolidated returns are not permitted; each entity must file a separate return.

Filing and payment – A company must make quarterly advance payments of corporate income tax, based on its actual profits. The quarterly payments must be remitted by the 20th day of the second month following the reporting quarter.

The annual corporate income tax return is due by 1 March of the following year, and any tax due must be paid in full by that date.

Penalties – The tax code sets out penalties that may be imposed for tax violations. Late payment of tax is subject to interest at 0.09% for each day of arrears. The total amount of interest may not exceed the amount of unpaid tax. A taxpayer that understates its tax liabilities will be subject to fines of 50%-100% of the understated tax amount.

Failure to pay or incomplete payment of withheld taxes to the government by a tax agent is subject to a penalty of 10% of the unpaid tax for each full or partial month the tax remains unpaid from the due date. The total penalty may not exceed 50% of the amount of unpaid tax.

Rulings – The tax authorities generally will issue nonbinding rulings of an explanatory nature.

Individual taxation:

Rates

Individual income tax rate	10%
Capital gains tax rate	10%

Residence – Individuals are considered a tax resident of Kyrgyzstan if they are physically present in Kyrgyzstan for at least 183 days during a period of 12 consecutive months ending within the current tax period.

Basis – Resident individuals are taxed on their worldwide income, whether paid in cash or in kind, and on imputed income received during the calendar year. Nonresidents pay tax only on Kyrgyz-source income.

Taxable income – Taxable income includes income from employment, income from management services, and passive income such as dividends, interest, royalties, etc. 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 or services received by a taxpayer.

Rates – The standard individual income tax rate is 10%.

Capital gains – Capital gains derived by a resident are taxed as regular income at the general tax rate.

Deductions and allowances – A standard monthly deduction of KGS 650 is granted to taxpayers for each month of their accumulated income during the calendar year. An additional monthly deduction of KGS 100 is granted each month for each of a taxpayer's dependents. Taxpayers may deduct contributions made to the state pension fund (up to a maximum of 10% of total taxable income) and to nonstate pension funds (up to a maximum of 8% of total taxable income).

Foreign tax relief – A foreign tax credit is granted for tax paid abroad on foreign income, provided there is a tax treaty with the country to which the tax was paid. The amount of the credit is limited to the amount of Kyrgyz tax due on the same income.

Compliance for individuals:

Tax year – The tax year is the calendar year.

Filing status – An individual return or a family tax return is permitted.

Filing and payment – Tax on employment income is withheld by an employer and must be remitted to the state no later than the 15th day of the month following the month in which income is paid.

An individual who is required to file an income tax return must do so by 1 April of the year following the tax year, and tax must be paid at that time.

Penalties – The tax code sets out penalties that may be imposed for tax violations. Late payment of tax is subject to interest at 0.09% for each day of arrears. The total amount of interest may not exceed the amount of unpaid tax. A taxpayer that understates its tax liabilities will be subject to fines of 50%-100% of the understated tax amount.

Failure to pay or incomplete payment of withheld taxes to the government by a tax agent is subject to a penalty of 10% of the unpaid tax for each full or partial month the tax remains unpaid from the due date. The total penalty may not exceed 50% of the amount of unpaid tax.

Rulings – The tax authorities generally will issue nonbinding rulings of an explanatory nature.

Withholding tax:

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	10%	10%	10%
Interest	0%	10%	10%	10%
Royalties	0%	10%	10%	10%
Fees for work and services	0%	10%	10%	10%

Dividends – Dividends paid to a nonresident entity or an individual are subject to a 10% withholding tax, unless the rate is reduced by a tax treaty. Dividends paid to a resident entity are not subject to withholding tax.

Interest – Interest paid to a nonresident entity or an individual is subject to a 10% withholding tax, unless the rate is reduced by a tax treaty. Interest paid to a resident entity is not subject to withholding tax.

Royalties – Royalties paid to a nonresident entity or an individual are subject to a 10% withholding tax, unless the rate is reduced by a tax treaty. Royalties paid to a resident entity are not subject to withholding tax.

Fees for technical services – Fees for technical services paid to a nonresident entity or an individual are subject to a 10% withholding tax, unless the rate is reduced by a tax treaty. Fees for technical services paid to a resident entity are not subject to withholding tax.

Branch remittance tax – There is no branch remittance tax.

Anti-avoidance rules:

Transfer pricing – Transactions between related parties must be on arm's length terms. Kyrgyzstan's transfer pricing rules generally follow the OECD guidelines and allow the tax authorities to review the prices used by taxpayers in "controlled transactions."

Interest deduction limitations – There are no limitations on the deductibility of interest.

Controlled foreign companies – There are no CFC rules.

Hybrids – There are no hybrid rules.

Economic substance requirements – There are no economic substance requirements.

Disclosure requirements – There are no disclosure requirements.

Exit tax – There is no exit tax.

General anti-avoidance rule – There is no general anti-avoidance rule.

Value added tax and sales tax:

Rates

Standard rate	12% (VAT); 1%/2%/3%/5% (sales tax)
Reduced rate	0% (VAT and sales tax)

Kyrgyzstan levies both a VAT and a sales tax.

Taxable transactions – VAT is charged on most sales of goods, performance of work, and provision of services in Kyrgyzstan, including those supplied free of charge. VAT also is imposed on most imports into Kyrgyzstan, excluding those from countries that are members of the Eurasian Economic Union. Transfers of property rights and certain self-supplies, such as transfers of goods and services produced by a taxpayer for internal consumption, also are subject to VAT.

Legal entities, whether domestic or foreign, operating in Kyrgyzstan through a permanent establishment and individual entrepreneurs are liable to pay sales tax. Sales tax is levied on the realization of goods, performance of work, and provision of services, with the tax base being the value of goods sold, work performed, or services rendered, less VAT and sales tax.

Rates – The standard VAT rate is 12%. A 0% rate applies to exports of goods, except gold alloy and refined gold; international transport of passengers, baggage, and cargo, except for railway transport; transit flight services and services related to international transportation, except for international railway transportation; and services relating to the power supply of pumping stations. Certain supplies (e.g., financial and insurance services, and supplies of land) are exempt from VAT.

For sales of VATable and VAT-exempt goods and services paid in cash, the sales tax rate is 1% for commercial activities and activities related to the processing of agricultural products, and 2% in all other cases (the rate is 0% for VATable and VAT-exempt goods that are paid via a noncash payment). For sales of other goods and services paid in cash, the sales tax rate is 2% for commercial activities and 3% in all other cases. Sales tax at 5% applies to service fees of cellular companies, and 2% applies for banks.

Registration – A business entity carrying out economic activities must be registered for VAT purposes in Kyrgyzstan if its total turnover exceeds KGS 8 million during a period of 12 consecutive months or less.

No special registration is required for sales tax purposes.

Filing and payment – Payers of VAT are required to file monthly VAT returns and pay the corresponding VAT due to the budget no later than the 25th day of the month following the tax period. A register of VAT invoices issued and VAT invoices on purchases during the tax period should be submitted along with the VAT returns.

Taxpayers are required to report and remit their sales taxes on a monthly basis, by the 20th day of the month following the reporting month.

Other taxes on corporations and individuals:

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions – An employer must contribute to various funds in respect of the remuneration paid to employees working under employment contracts. The aggregate contribution rate is 17.25% of an employee's gross salary and represents a 15% contribution to the pension fund, a 2% contribution to the compulsory medical insurance fund, and a 0.25% contribution to the healthcare fund.

The employee must contribute 10% of gross remuneration to social security.

Payroll tax – There is no specific payroll tax, but the employer must withhold personal income tax on employment income and remit it to the state.

Capital duty – There is no capital duty.

Real property tax – A real estate tax is levied on the owner of immovable property at a rate of 0.35% for residential property and 0.8% for property used in business activities.

Land tax is levied annually on the use of a plot of land, with the rate depending on the location and use of the land.

Transfer tax – There is no transfer tax.

Stamp duty – No stamp duties are established by law, but according to regulations issued by the government, the authorities may impose a levy on various legal actions, such as the issuance of documents by state bodies.

Net wealth/net worth tax – There is no net wealth/net worth tax.

Inheritance/estate tax – There is no inheritance/estate tax.

Tax treaties: Kyrgyzstan has concluded more than 25 tax treaties.

Tax authorities: State Tax Service

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