

# TAX GUIDE KYRGYZSTAN

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## GENERAL RULES AND IMPORTANT POINTS IN THE TAX SYSTEM OF KYRGYZSTAN

Tax relations in the Kyrgyz Republic are governed by its Tax Code and associated regulatory legal acts. These acts include resolutions issued by the Government of the Kyrgyz Republic, which address various aspects of tax regulation and establish specific tax rates.

The new Tax Code of Kyrgyzstan became effective on 1 January 2022. Currently, the work related to the transition of entrepreneurs to online services is carried out; the implementation of digitalization projects continues to increase the efficiency of tax collection process, using the electronic invoices system (hereinafter – “ESF”), electronic goods transport invoices (hereinafter – “ETTN”), as well as introducing cash registers.

On 2 February 2024, the President of Kyrgyzstan enacted Law No. 31 “On Amendments to the Tax Code”. This amendment seeks to enhance the efficiency of tax administration through a series of proposed simplifications.

To create a better business climate, the Kyrgyz Republic has made important updates to its Tax Code. There were substantial revisions aimed at boosting the agricultural, touristic, construction, and international transportation sectors. Also, in order to simplify the tax accounting procedure for the business sector, amendments have been made to allow, in some cases, the execution of other documents instead of an electronic invoice.

The distinguishing feature of this jurisdiction is the exceptionally low tax rates for fundamental taxes, such as profit tax and VAT compared to similar rates for neighbors and partners in the CIS. This comparatively low tax burden is typically advantageous for business development and foreign investment. The balanced tax burden, coupled with a well-structured and modern general part of tax legislation, various simplified tax regime options, and free economic zones’ incentives, reflect the state’s commitment to enhancing the efficiency of its tax system, addressing tax evasion, and attracting foreign investment.

Also, on 23 July 2024, the President of the Kyrgyz Republic signed Law No. 136 “On Amendments to Certain Legislative Acts of the Kyrgyz Republic in the Field of Taxation and Social Insurance”. The purpose of the Law is to further liberalize the economy in order to attract more foreign capital and international financial institutions, as well as to create conditions for local entrepreneurs to enter foreign markets.

A significant change is the reduction of social contributions rates for certain categories of taxpayers. In this guide, we have summarized and reviewed the key elements of the Kyrgyzstan tax system: the essence and fundamentals of the «most common» taxes such as profit tax, VAT, payroll taxes and contributions, and taxation of non-residents. We have also provided our key insights on permanent establishment (PE) and Transfer Pricing (TP) principles, as they greatly affect tax liabilities of any organization operating in Kyrgyzstan.

Please note that the guidelines outlined here are broadly applicable to the majority of taxpayers in Kyrgyzstan. However, certain specific tax regimes and Free Economic Zones (FEZ) within the country have unique rules that are in alignment with the applicable law.

## PROFIT TAX

In Kyrgyzstan, profit tax is a principal tax imposed on the income of legal entities. The standard profit tax rate is 10%, applicable to both resident and non-resident entities. However, specific sectors, such as those involved in mining and gold industry, are subject to distinct tax conditions and rates.

Profit tax applies to both domestic entities conducting business within the country and foreign entities earning income from Kyrgyzstan or operating through PEs. Tax liabilities are determined based on the results of reporting periods and are settled annually. Entities exceeding specified income thresholds are obliged to make advance tax payments throughout the year. Organisations involved in social or educational initiatives may qualify for income tax exemptions or reduced rates. Small businesses can opt for a simplified tax regime, which allows them to pay taxes based on their turnover under a more straightforward system. Additionally, small businesses can choose a simplified tax regime, which permits them to pay taxes based on their turnover using a more streamlined process.

Table 1. Profit tax requirements in Kyrgyzstan

Tax Type	Tax Rate	LLP, JSC	Branch, Representative office, Simple PE	DTT Protection
Profit tax	10% or 5% provided for FEZ	Applied to taxable income	Applied to taxable income of the PE	Not applicable for taxation of residents

## VALUE ADDED TAX

VAT is imposed on the turnover from the sale of goods, works, and services within Kyrgyzstan, as well as on the importation of goods into the country, subject to certain exemptions.

Exemptions apply to specific medical services, educational services, and export of goods subject to 0% VAT rate. The standard VAT rate is 12%. VAT payments are required to be made monthly, and taxpayers are obliged to submit their tax returns to the tax authorities in a timely manner.

Table 2. VAT system applied in the EAEU and the EU

	Kyrgyzstan	Kazakhstan
Payer	Entity registered for VAT	Entity registered for VAT
	Entity importing goods	Entity importing goods
VAT rate	General – 12%	General – 12%
	Export of goods, international transport, sales of fuels and lubricants carried out by airports, sales to FEZ territories, in terms of contracts of subsurface use – 0%	Export of goods, international transport, sales of fuels and lubricants carried out by airports, sales to a SEZ territory, in terms of contracts of subsurface use – 0%
VAT at Export	<b>Within the EAEU: 0%</b> , at export goods within the EAEU member states, a VAT payer is obliged within 180 days from the shipment date to submit to the tax authority simultaneously with VAT return Form STI-062 documents according to the List approved by the Cabinet of Ministers	<b>Within the EAEU: 0%</b> , confirmation is required from the EAEU recipient of goods on submission of Form 328.00 on import of goods within the EAEU and payment of indirect taxes, if no confirmation is provided within 183 calendar days after export, 12% of VAT is paid by the exporter in the RK
	<b>Outside the EAEU: 0%</b> , requires a list of documents for export confirmation	<b>Outside the EAEU: 0%</b> , requires a list of documents for export confirmation
VAT at Import	<b>Within the EAEU: 12%</b> on imported goods is payable at the taxpayer's current tax registration place not later than the 20th day of the month following the month in which the goods were imported	<b>Within the EAEU: 12%</b> is paid not later than the 20th day of the month following the month of import, with the possibility to offset the tax paid for VAT purposes
	<b>Outside the EAEU: 12%</b> is paid at customs clearance, with the possibility to offset the tax paid for VAT purposes.	<b>Outside the EAEU: 12%</b> is paid at customs clearance, with a possibility to offset the paid tax in VAT purposes
VAT for non-resident	If a tax agent is registered as a VAT payer, subject to 12% VAT on behalf of a non-resident.	RC VAT at 12% is paid by a tax agent (recipient of services in the RK). The obligation is determined depending on the place of supply.

The following are defined as VAT payers:

1. A taxpayer, whose activities are subject to taxation under the general tax regime
2. An entity involved in taxable imports
3. A foreign organization or individual entrepreneur that provides services, performs work, or is engaged in e-commerce of goods to individual residents of the Kyrgyz Republic with the place of supply recognized as the territory of the Kyrgyz Republic.

VAT obligation for a foreign organization is fulfilled by the tax agent.

Germany	France
All business entities	Taxable entities
	Partly taxable entities
	Non-taxable legal entities that are registered for turnover taxes
General – <b>19%</b>	General – <b>20%</b>
Certain items, such as food and books, certain medical products and services, farm animals, museum, theatre, concert, hotels – <b>7%</b>	Prepared food products, catering and restaurants, non-processed agricultural products, and some housing renovation works – <b>10%</b>
Export and the sale and installation of photovoltaic systems and certain related devices – <b>0%</b>	Non-prepared food products, along with gas, electricity and renewable energies – <b>5.5%</b>
	Medicinal products and blood products, which are eligible for reimbursement by social security – <b>2.1%</b>
<b>Within EU:</b> <ul style="list-style-type: none"> <li>– If sell to business – <b>0%</b></li> <li>– If sell direct to consumer:</li> <li>a. less than 10 000 EUR annually - the VAT rate <b>19%</b></li> <li>b. more than 10 000 EUR annually - the rate in the consumer's country.</li> </ul>	<b>Within EU:</b> <ul style="list-style-type: none"> <li>· If sell to business – <b>0%</b></li> <li>· If sell direct to consumer:</li> <li>a. less than 10 000 EUR annually - the VAT rate <b>20%</b></li> <li>b. more than 10 000 EUR annually - the rate in the consumer's country.</li> </ul>
<b>Outside EU: No VAT – 0%</b>	<b>Outside EU: No VAT – 0%</b>
<b>Within EU: No VAT – 0%</b>	<b>Within EU: No VAT – 0%</b>
<b>Outside EU: Import VAT – 19%</b> , with a possibility to deduct the paid VAT (reverse charge in return)	<b>Outside EU: Import VAT – 20%</b> , with a possibility to deduct the paid VAT (reverse charge in return)
VAT is a tax agent's obligation depending on the place of sale, with a possibility to deduct the paid VAT	VAT is a tax agent's obligation depending on the place of sale, with a possibility to deduct the paid VAT

## SALES TAX

The sales tax payers are considered domestic organisations, foreign organisations operating in the Kyrgyz Republic through PEs, and individual entrepreneurs. The sales tax is imposed on the sale of goods, provision of services, and performance of works.

Sales tax rates are the following:

- 1) Sale of goods, provision of services, and performance of works subject to VAT:
  - Trading activities – 1%
  - Other activities – 2%.
- 2) Sale of goods, provision of services, and performance of works either not subject to VAT or exempt from VAT:
  - Trading activities – 2%
  - Other activities – 3%.
- 3) Sales tax rates for:
  - banks – 2%
  - mobile communication services – 5%
  - business entities selling newly constructed residential and non-residential premises – 2%.

## PAYROLL TAXES AND CONTRIBUTIONS

The payroll calculation in Kyrgyzstan consists of the following mandatory taxes and contributions: The President of Kyrgyzstan has signed Law “On Amendments to Some Legislative Acts of the Kyrgyz Republic in the Field of Taxation and Social Insurance” aimed at improving the business environment in the country. This law seeks to boost entrepreneurship, stimulate economic activity, increase access to financial resources, and reduce the financial burden on business.

One significant change is the reduction of insurance contribution rates from 27.25% to 12.25%. Under the new structure, employers will contribute 2.25%, while employees - 10%. These new rates will apply only to certain categories of business entities, effective from 1 August 2024.

These changes do not apply to:

- organisations financed from the state budget
- mining enterprises developing subsoil areas of national importance and holding a license for the use of subsoil of national importance
- organisations carrying out activities to provide (supply) electricity, heat and gas
- business entities that produce and/or import alcoholic and tobacco products, fuels and lubricants, except for entities that produce and refine petroleum products with licenses for these activities following the law of the Kyrgyz Republic concerning licensing and permitting system (oil and natural gas refining, except for the production of industrial-scale bioethanol from plant materials and its sale);
- entities operating in the field of mobile communications;
- Internet providers;
- commercial banks, specialized financial and credit organisations or credit institutions.

Liability	Tax Rate %
<b>Employee’s liabilities</b>	
Personal income tax (PIT)	Flat <b>10%</b> rate Flat <b>5%</b> rate for some preferential categories of employees
State accumulative pension (SAP)	Flat <b>2%</b> rate
Obligatory pension contributions (OPC)	Flat <b>8%</b> rate
<b>Employer’s liabilities</b>	
Health improvement of workers (HIW)	Flat <b>0.25%</b> rate
Obligatory social medical insurance (OSMI)	Flat <b>2%</b> rate

## I. Kyrgyzstan simulation of payroll taxation, EUR (€)

Gross salary		Rate	625 €	1,250 €	2,500 €	% , for 500 €	% , for 1,000 €	% , for 2,000 €	Average %
OPC	Obligatory pension contributions	8%	50 €	100 €	200 €				
SAP	State accumulative pension	2%	13 €	25 €	50 €				
PIT	Personal income tax	10%	62 €	125 €	250 €				
<b>Net salary</b>			<b>500 €</b>	<b>1,000 €</b>	<b>2,000 €</b>	<b>20 %</b>	<b>20 %</b>	<b>20 %</b>	<b>20 %</b>
OPCE	Obligatory pension contributions of an employer	15%	94 €	187 €	375 €				
OSMI	Obligatory social medical insurance	2%	13 €	25 €	50 €				
HIW	Health improvement of workers	0.25%	1 €	3 €	6 €				
<b>Total employee</b>			<b>125 €</b>	<b>250 €</b>	<b>500 €</b>	<b>20 %</b>	<b>20 %</b>	<b>20 %</b>	<b>20 %</b>
<b>Total employer</b>			<b>109 €</b>	<b>215 €</b>	<b>431 €</b>	<b>17.4 %</b>	<b>17.4 %</b>	<b>17.2 %</b>	<b>17.3 %</b>
<b>Total taxes</b>			<b>234 €</b>	<b>465 €</b>	<b>931 €</b>	<b>37.4 %</b>	<b>37.4 %</b>	<b>37.2 %</b>	<b>37.3 %</b>



## II. Russian simulation of payroll taxation, EUR (€)

Gross salary		Rate	575 €	1,149 €	2,299 €	%, for 500 €	%, for 1,000 €	%, for 2,000 €	Average %
PIT	Personal income tax	13% (15% on the year-to-date salary amounts exceeding RUB 5 million)	75 €	149 €	299 €				
Net salary			500 €	1,000 €	2,000 €	87.0 %	87.0 %	87.0 %	87.0 %
CT	Employer Social Contributions regular rate	30% (15.1% on the amounts exceeding the year-to-date marginal base of RUB 2.25 million )	173 €	345 €	569 €				
OAI	Occupational accident insurance	0.2% - 8.5%	1 €	2 €	5 €				
Total employee			75 €	149 €	299 €	13.0 %	13.0 %	13.0 %	13.0 %
Total employer			174 €	347 €	574 €	30.2 %	30.2 %	24.9 %	28,4 %
Total taxes			13 %	249 €	496 €	43.2 %	43.2 %	37.9 %	41.4 %

## WITHHOLDING TAX

Income derived by a foreign organization from sources within the Kyrgyz Republic, which is not associated with a PE in the country, is subject to taxation in accordance with the applicable tax treaties between the Kyrgyz Republic and the country of residence of the foreign organization. In the absence of such a tax treaty, this income shall be taxed at the source of payment to the foreign organization in accordance with Kyrgyz tax legislation.

WHT in the Kyrgyz Republic is calculated and paid to the budget by a tax agent, regardless of the form and place of payment of income.

A resident of a foreign state, who operates within the Kyrgyz Republic without establishing a PE and receives income from a source in the Kyrgyz Republic, in order to benefit from the provisions of the Tax Treaty, must provide the tax agent with an original document that confirms their tax residency status. This document must conform to the format prescribed by the competent authority of the state in which it was issued.

WHT is payable to the budget no later than the day following the 20th day of the month following the month of income payment. The tax shall be paid at the tax agent's place of tax registration. Kyrgyzstan is a signatory of 30 international treaties aimed at avoiding double taxation. They help to reduce the tax burden on foreign companies receiving income from the sources in Kyrgyzstan.

Type of a non-resident's income	Tax rate as per the Tax Code	DTT Application
Services and other income	10 %	Can be exempted under DTT provisions
Insurance premiums under risk reinsurance contracts	5 % - 10 %	Can be exempted under DTT provisions
International transport	5 %	Can be exempted under DTT provisions
Dividends	10 %	Reduction up to 5% depending on the country.
Royalties	10 %	Reduction up to 5% depending on the country.
Interest	10 %	Reduction up to 5%, depending on the country
Capital gain	10 %	Can be exempted under DTT provisions
Dividends to a foreign organization received as part of profit which is subject to profit tax at the rate of 3 %	0 %	No need to use DTT provisions (0% rate provided by the local law)

## PERMANENT ESTABLISHMENT

Under Kyrgyz tax legislation, a PE is defined as a fixed place of business through which a non-resident conducts business operations, either fully or partially. The establishment of a PE may involve setting up either a branch or subsidiary, both of which are viable business structures for foreign investors. It is essential to highlight that the Tax Code of the Kyrgyz Republic contains distinct provisions related to PEs that diverge from those outlined in DTTs. For example, local law establishes a service PE when services are provided for over 183 days, while most DTTs extend this duration to 12 months. Similar variations also occur in the regulations concerning fixed places of business and agency PE.

## Transfer Pricing

TP in Kyrgyzstan refers to the regulation of prices for goods, services, or works in international transactions between related parties. This framework was established to prevent tax evasion through the manipulation of transaction prices.

Kyrgyzstan has adopted several TP methods recognized as official techniques for determining prices of goods and services. They include:

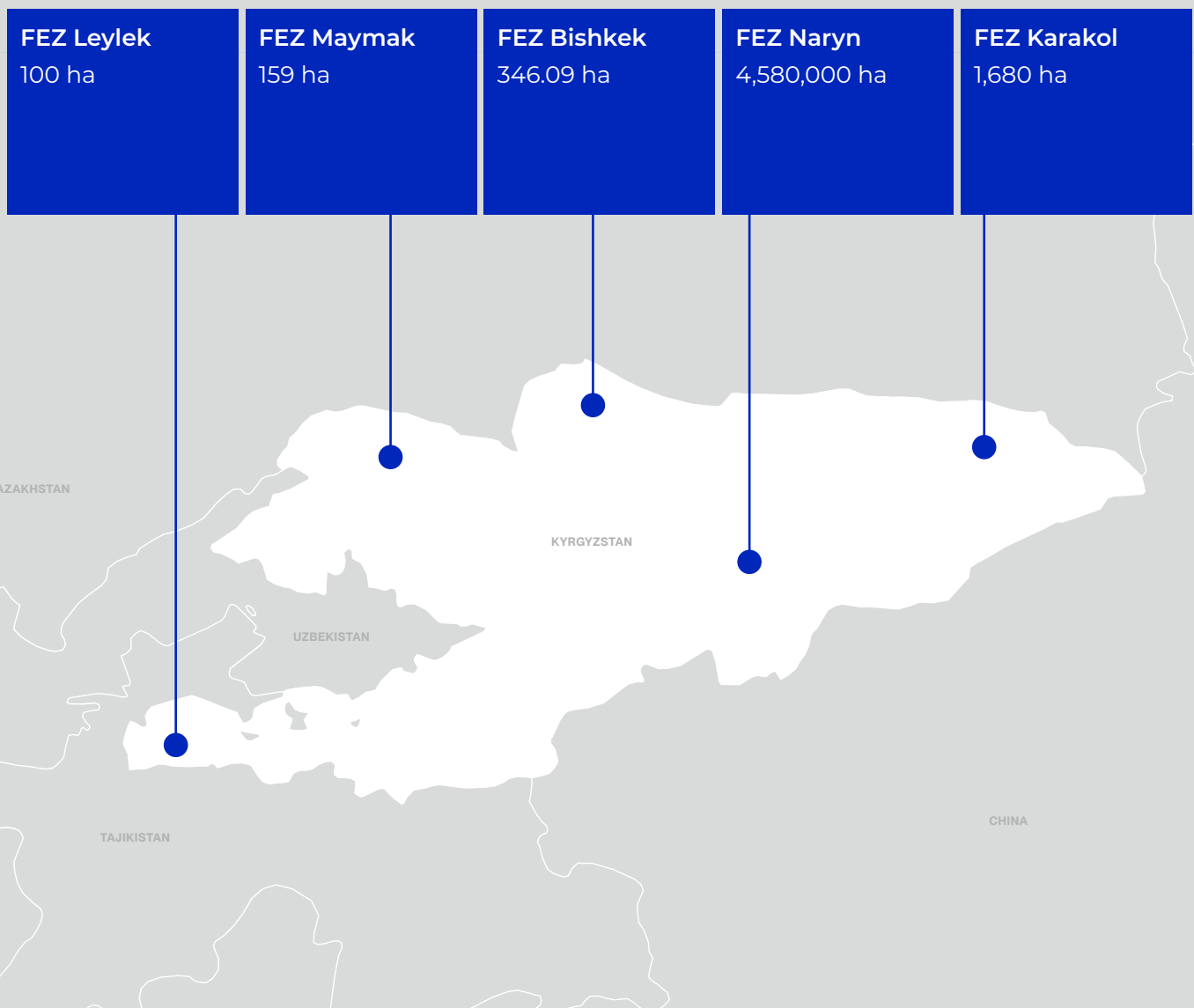
- The comparable uncontrolled price method
- The cost-plus method
- The average profitability method, among others.

However, judicial practice indicates that tax and judicial authorities lack clear guidelines and standardized methods for TP in tax matters. It is advisable, despite the existing provisions in the Tax Code, to develop a distinct methodology for determining market prices. In contrast, other countries, such as Kazakhstan, have established comprehensive regulatory frameworks, such as a separate Law on Transfer Pricing, while Kyrgyzstan offers only limited references in its Tax Code.

## FEZ

### Free Economic Zones in Kyrgyzstan

FEZs in the Kyrgyz Republic are specific areas within certain regions and cities that operate under a different tax framework than the rest of the country. The tax regulations outlined in the Tax Code of the Kyrgyz Republic regarding FEZs apply exclusively to enterprises operating within these zones, as long as they comply with the applicable laws governing FEZs. However, this exemption does not extend to businesses involved in assembly, mining, or manufacturing and sale of excise goods, including tobacco products. Businesses in these zones must submit tax reports and a unified tax declaration to the tax authorities. Currently, there are five FEZs in the Kyrgyz Republic: Bishkek, Maymak, Naryn, Leilek, and Karakol.







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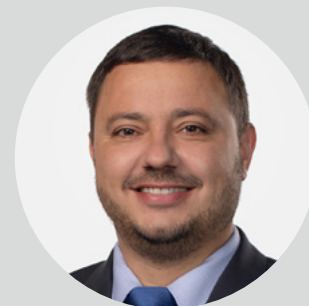
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