

The overview of changes in tax legislation | 2024

Please find below the brief overview of the amendments to the Tax Code adopted by the Law of the Kyrgyz Republic No. 31 dated February 2, 2024.

Tax administration

The taxpayers have rights to access and the tax authorities are required to disclose and publish on the official website the following information on:

Articles 49 and 60

- taxpayers carrying out activities on the basis of a patent or tax on activities in trade zones with special treatment, single tax payers carrying out trade activities;
- residents of the Creative Industry Park;
- individual entrepreneurs selling goods, works and services to the population;
- individual entrepreneurs engaged in trading activities at markets and mini-markets;
- taxpayers registered in the information systems of electronic invoices and electronic consignment notes.

Information on the applicable tax regime and tax rates is now no longer classified as **tax secrecy**.

Article 64

In connection with the abolition of the Resolution of the Cabinet of Ministers of the Kyrgyz Republic on **minimum level of control prices** for certain types of goods, the concept of the minimum level of control prices is excluded in the Tax Code, and, accordingly, transactions with such goods have been excluded from the list of controlled transactions for the purposes of applying transfer prices.

Articles 4, 139 and 140

The definitions of "**international transportation**", "**agricultural procurer**" and "**primary processed products**" have been introduced.

Articles 174 and 178

Tax administration (cont.)

The tax invoice should now contain the amounts of revenue and indirect taxes as mandatory details.

Articles 174 and
178

The amendments provides the specific requisites of a tax invoice for agency activities, including:

- agency fee;
- indirect taxes to be applied on agency fee;
- amounts accumulated by the agent to be payable to the principal and/or amounts of the agent's expenses to be reimbursed by the principal depending on the terms of the agency agreement;
- information on the principal.

The following is a list of documents that replace the tax invoice as a supporting primary document:

- bank account statement for the bank's services, including the National Bank, a receipt or payment order from the bank, as well as a bank account statement confirming interest expenses;
- documents for confirming passenger, baggage and cargo transportation services: an electronic receipt for international transportation, which indicates the cost, boarding pass, baggage receipt, cargo waybill;
- purchase and sale agreement, an expense cash order or a payment order from the buyer confirming payment for movable/immovable property, including property/non-property rights acquired from an individual, indicating the surname, first name, patronymic, tax identification number (hereinafter referred to as "TIN"), passport data of the individual who received the payment, the quantity and value of the acquired asset;
- lease agreement for a land plot for the placement of a base station / base station maintenance services purchased from an individual, a payment order / cash receipt from a telecom operator, indicating the surname, first name, patronymic, TIN, passport data of an individual, details of the contract.

To confirm the expenses for the purchase of agricultural products, the following documents should be used:

- cash voucher or payment order prepared by the buyer with respect to the purchase of products from a registered agricultural producer or agricultural cooperative, indicating the name of the entity, its TIN, passport details of the person who received the payment, the quantity and value of the purchased products;
- consignment note for agricultural products transferred by a registered agricultural producer/agricultural cooperative or an agricultural producer of products as a tolling raw material to an entity engaged in industrial processing of agricultural products, indicating the name of the entity, its TIN, passport data of the person who carried out the transfer of products, and the quantity of agricultural products transferred. A similar document is used for the transfer of finished products made from tolling raw materials.

Other documents replacing the tax invoice may be established by the Cabinet of Ministers.

Personal Income Tax and Corporate Income Tax

The list of **Personal Income Tax exemptions** has been expanded by the payments for the services of a personal assistant and/or a person with disabilities in need of constant care and supervision, and the compensation received for seizure/alienation of a land plot and/or property for state needs.

Article 191

Individuals receiving taxable income are required to submit the Annual tax return for the tax periods beginning from 2024.

Article 106

Requirements **on submission of income declaration** will be applied to all individuals for the tax periods beginning from 2026.

Compensation received by a taxpayer for seizure/alienation of a land plot and/or property for state needs is not subject to Corporate Income Tax.

Article 213

The non-deductible expenses for Corporate Income Tax purposes include now **"the cost of goods, works and services"** (instead of "the cost of material resources") purchased in the Kyrgyz Republic without an invoice unless the expenses are confirmed by other primary documents established by tax legislation.

Article 236

VAT

Taxpayers engaged in international transportation of passengers, cargo and luggage by air and rail transport, when acquiring works and/or services from a foreign organization or a foreign individual entrepreneur, the place of supply of which is treated as the territory of the Kyrgyz Republic and whose activities do not lead to a permanent establishment, are **exempt from performing the duties of a tax agent in respect of reverse charge VAT**.

Article 53

The term “**invoice value of goods**” has been added for the purposes of input VAT subject to offset. Particularly, the input VAT should not be offset with respect to:

Article 316

- the difference between the amount of import VAT determined under the customs legislation and the amount of VAT on import calculated based on the invoice value of goods and import VAT accrued on the customs duties and excise tax, transportation and insurance expenses – with respect to the goods imported from third countries;
- the difference between the amount of VAT determined under the tax legislation and the amount of VAT calculated based on the invoice value of goods and VAT accrued on excise tax – with respect to the goods imported from Eurasian Economic Union (hereinafter – “EEU”) member states.

The following additional conditions should be met for applying the simplified procedure for refunding the amount of excess VAT on supplies taxed at the zero rate:

Article 328

- the value of the VAT taxpayer’s export supplies taxed at zero rate for the last 12 calendar months should not be less than 40 mln Kyrgyz Soms (hereinafter – “KGS”);
- the value of the VAT taxpayer’s own fixed assets should not be less than 15 mln KGS.

Under the simplified VAT refund procedure the validity of excess VAT should be confirmed by an on-site tax audit instead of desk audit.

The list of documents confirming the export of goods for the purposes of reimbursement and/or refund of excess VAT will be established by the Cabinet of Ministers.

Article 329

VAT (cont.)

Risk factors of inappropriate excess of VAT have been limited by the following criteria:

Article 327

- the period of activity of VAT payer is less than 24 calendar months at the date of application for VAT refund;
- the period when the VAT payer perform the export supplies is less than 12 calendar months at the date of application for VAT refund;
- the amount of additional tax liabilities assessed within the last two tax audits exceeds 10 percent of the total tax liabilities for the audited periods;
- the absence of information in the e-system of the tax body on the imports of goods and respective indirect taxes paid to be obtained from the tax bodies of the EEU member states, and/or their discrepancies with the VAT returns in the case of export to the territory of EEU member states;
- discrepancy of declared data of the VAT payer with the information provided by the supplier of goods, works and services, identified through analysis of the VAT returns and/or data from e-invoice information system;
- the amount of tax liabilities paid for the three previous fiscal years is less than the amount of excess VAT claimed for refund/reimbursement.

The following risk factors have been **excluded**:

- presence of facts of late submission of tax reports;
- the value of export supplies taxed at zero rate for the last 12 calendar months is less than 40 mln KGS;
- the value of own fixed assets is less than 15 mln KGS.

The supplies performed by the non-commercial organizations in the field of **environment** are included in the **VAT exempt list**.

Articles 287, 266

Agricultural procurers have been added to the category of suppliers of agricultural products that are subject to VAT exemption.

Excise Tax, Sales Tax and Property Tax

The following Excise Tax rates are established for the products with heated tobacco (heated tobacco stick (stick), heated capsule with tobacco) of cylindrical shape (HS code 2404):

Article 345

- from May 1, 2024 to December 31, 2024 - 2,500 KGS per 1,000 pieces;
- from January 1, 2025 to December 31, 2025 – 2,750 KGS per 1000 pieces;
- from January 1, 2026 to December 31, 2026 for 1000 pieces – 3,000 KGS;
- from January 1, 2027 for 1000 pieces – 3,250 KGS.

The sale of goods, the performance of work and the provision of services by **charitable organizations** are **exempt from Sales Tax**.

Articles 364 and
365

The sale of goods, the performance of work and the provision of services **under an agreement on a socially significant facility** are **exempt from Sales Tax** subject to the procedure and the conditions established by the Tax Code.

The **international transportation** services are not subject to Sales Tax.

The functional coefficient for Property Tax purposes is fixed **at 0.8 for the hotels and at 2.2 for gambling establishments**.

Article 389

The **deadline for the application of patents** by individuals engaged in trading activities is postponed from January 1, 2024 to July 1, 2024.

Article 416

Simplified tax regime based on the Single Tax

In case of change of the tax regime from the general to simplified tax regime **the stock of inventories, fixed assets and intangible assets** of the taxpayer are treated as supplied for VAT purposes at their book value if the taxpayer previously offset the input VAT with respect to the acquisition of these assets.

Article 258

Taxpayers applying the simplified tax regime are obliged to acquire goods on the territory of the Kyrgyz Republic for resale or further processing purposes with the receipt of an **e-invoice** or a document replacing it that is allowed by the tax legislation.

Article 418

Entities engaged in the **construction** of residential and non-residential buildings and performing special construction works may apply the simplified tax regime and pay the Single Tax in respect of such activities **at the rate of 6%** of their revenues.

Articles 419 and
423

Gain from the foreign currency exchange is excluded from the tax base for Single Tax purposes.

Article 422

Entities engaged in the sale of lubricating oils and other oils classified under the HS codes 2710197100-2710199800 that apply the simplified tax regime are obliged to pay Single Tax at 2% of revenue for non-cash settlements and 4% for cash settlements and transactions with depersonalized entities, irrespective of the amount of revenue.

Article 423

Single Tax rates are established for:

- for agricultural procurers – at 0.5% on the gross proceed;
- for agricultural milk collectors – at 0.25% on the gross proceed.

The threshold of **revenue** of an individual entrepreneur selling goods, works and services to the population that may apply zero-rate Single Tax **has been increased** from 8 to **15 mln KGS**. Revenue threshold should be applied with respect to the last 12 consecutive months.

Tax regime in Free Economic Zone (FEZ). Taxation in the trade zone with special tax treatment

The entities registered as FEZ residents and producing some of excisable goods (tobacco and nicotine-containing products of HS codes 2402, 2404 and 8543 40 000 0, waters, including mineral and carbonated, containing sugar additives or other sweetening or flavoring substances of HS code 2202) may apply the FEZ regime tax benefits subject to certain limitations. The sale of the produced goods to the other territory of the Kyrgyz Republic is subject to VAT and excise tax.

Article 427

The **sewing and/or textile manufacturers** operating in the trade zones with the special tax treatment have the right to apply the special tax regime based on the single tax when selling own-produced goods.

Articles 457-462

The sale of **lubricating oils** classified under HS codes 2710 19 710 0 – 2710 19 980 0 is allowed within the territory of trade zones with special tax treatment.

The requirement for the maximum area of one trading point in a trade zone with the special tax treatment has been abolished.

The taxpayer that has two or more trading places in trade zones with special tax treatment is required to define the amount of revenues for each trading place. If the taxpayer does not duly inform the tax authorities on exceeding of declared volume of revenues to be received for the relevant tax reporting year, the **coefficient 3** on the respective special tax liability should be applied.

The methods for calculating the tax liability of newly registered taxpayers and for the taxpayers leaving the trade zones with special tax treatment.