

# TAXES 2016: WHAT'S NEW?

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The last day of the year 2015 was marked by the signing by the President of the Kyrgyz Republic of Law “On amendments to some legislative acts of the Kyrgyz Republic” (hereinafter – “**The Law**”).

The Law has introduced some important changes to the Tax Code of KR (hereinafter – «**TC KR**»):

- **Effective from January 1, 2016 a double increase in the registration threshold** for the compulsory registration as a **VAT taxpayer** from 4 mln. of soms to **8 mln of soms** is introduced;
- **Effective from January 1, 2016 export of goods, works and services is exempted from Sales Tax;**
- **Effective from July 1, 2016 sales paid in non-cash form are exempted from Sales Tax;**
- **Effective from July 1, 2016 under the Simplified Taxation System the Unified Tax rate is decreased for non-cash payments;**
- A number of clarifications to terminology is introduced.

Further, you will find the detailed Overview of the new “Tax Rules”. In case you have any questions, please do not hesitate to contact us.

Kindest regards,

Department of Tax and Legal Services of Mazars in Kyrgyzstan

## I. GENERAL PART

### ► TERMS AND DEFINITIONS

Introduction of term of “Activity on the systematic basis” – realization of more than two units of goods, execution of works and delivery of services during a calendar year on a paid-for basis.

### ► ECONOMIC ACTIVITY

In the definition, the reference to the Civil Code of the KR was deleted. Economic activity on the systematic basis is recognized as entrepreneurial.

### ► TAX REGISTRATION

Until 2016, the tax registration was compulsory for the “*taxpayers accordant to the tax legislation of the KR*”.

Since 2016 not only taxpayers are obliged to register with the tax authorities, but subjects (incl. individuals) who lead activity that has characteristics of entrepreneurial activities as well.

Such subjects are obliged to submit to the tax authority application for tax registration during the month following the month of entrepreneurial activity commencement.

## II. SPECIAL PART. DEFINITIONS.

### ► EXPORT OF GOODS, WORKS AND SERVICES

The following terms are introduced:

- «Export of works and services» - place of supply of works and services is located outside Kyrgyzstan;
- «Export of goods» - export of goods to the territory of Customs Union member-countries or outside territory of the Customs Union.

### ► CASH AND NON-CASH PAYMENTS

There have been introduced definitions of “Cash payments” (to cashier) and “Non-cash payments” (bank transfers, offset and barter).

## III. PROFIT TAX

### ► RE-PROCESSING OF AGRICULTURAL RAW PRODUCTS

**Until September 1, 2018** companies from the Government List leading activity in industrial re-processing of agricultural raw products are exempted from Profit Tax. Before the exemption was given for 3 years.

## IV. VALUED ADDED TAX

### ► DEFINITIONS

Definitions of «Export of goods, works and services», «Payments of goods purchased in cash and non-cash forms» are deleted from the VAT Chapter of the Tax Code.

### ► LIMIT FOR REGISTRATION

**As of January 1, 2016** obligation for registration as a VAT-payer appears if during the recurrent period of 12 months VAT-able sales exceeded **8 mln. soms**.

Before the 2016, the limit for registration was equal to 4 mln. soms.

### ► RE-PROCESSING OF AGRICULTURAL RAW PRODUCTS

**Until September 1, 2018** companies from the Government List leading activity on industrial re-processing of agricultural raw products are exempted from VAT. Before the exemption was given for 6 years.

## V. SALES TAX

### ► OBJECT FOR TAXATION

**As of July 1, 2016**, the following additional transactions are exempted from Sales Tax:

- Export of goods, works and services;
- Sales of goods, works and services outside Kyrgyzstan,
- Sales of a company or its subdivision by a VAT-payer to a VAT-payer or to a subject that becomes VAT-payers at the moment of transfer.

## VI. SIMPLIFIED TAX SYSTEM

### ► TAX RATES

As of July 1, 2016, the following rates of Sales Tax will be introduced:

#### For payers of VAT:

- For **cash** payments:
  - a) Re-sale of goods – 1%;
  - b) Other activities – 2%.
- For **non-cash** payments – 0%.

#### For non-payers of VAT:

For **cash** payments:

- a) Re-sale of goods – 2%;
- b) Other activities – 3%.

For banks, the rate of tax is 2%, for telecom operators the rate of tax is 5%.

### ► UNIFIED TAX

As of July 1, 2016, the rates of Unified Tax will be decreased as follows:

- For re-processing of agricultural production, manufacturing, trade activities:
  - a) For payments in **cash** – 4%;
  - b) For **non-cash** payments – 2%.
- For other activities:
  - a) For payments in **cash** – 6%;
  - b) For **non-cash** payments – 3%.

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