

TAX CODE OF THE KYRGYZ REPUBLIC

(AS AMENDED BY DECEMBER 1996/JANUARY 1997 AMENDMENTS)

(AS AMENDED BY ALL KNOWN SUBSEQUENT AMENDMENTS
UP TO AND INCLUDING 03 JUNE 1998)

PART I. GENERAL PROVISIONS

Chapter 1. Tax Code application

PART II. ADMINISTRATION

Chapter 2. Functions, authorities and duties of the tax service

Chapter 3. General issues of taxation procedure

Chapter 4. Preparation and maintenance of tax information

Chapter 5. Assessments, period of limitations, notice of
assessment

Chapter 6. Collection of tax

Chapter 7. Recovery of tax

Chapter 8. Appeal against tax service decisions

Chapter 9. Penalties and administrative responsibility for the
violation of the Tax Code by a taxpayer

Chapter 10. Criminal offenses on taxes

Chapter 11. Offenses by authorized officials

PART III. INCOME TAX FOR PHYSICAL PERSONS

Chapter 12. General provisions

Chapter 13. Aggregate annual income

Chapter 14. Deductions from the aggregate income for the
assessment of its taxable amount

Chapter 15. Non-taxable income

Chapter 16. Tax rates

PART IV. TAX ON PROFITS OF LEGAL PERSONS

Chapter 17. General provisions

Chapter 18. Aggregate annual income

Chapter 19. Deductions from the aggregate annual income made for
the purpose of calculating taxable profit

Chapter 20. Rates of tax

Chapter 21. Tax preferences and special provisions

PART V. VALUE ADDED TAX

Chapter 22. General provisions

Chapter 23. Payment of VAT

Chapter 24. Taxable subjects

Chapter 25. Determination of supplies of goods, works and services

Chapter 26. Exempt supplies and zero-rated supplies

Chapter 27. Taxable value

Chapter 28. Vat payment, accounting and refund procedures

PART VI. EXCISE TAX

Chapter 29. General provisions

Chapter 30. Domestic production of excisable goods

Chapter 31. Imports of excisable goods

PART VII. LAND TAX

PART VIII. LOCAL TAXES AND COLLECTIONS

Chapter 32. Types of local taxes and collections

Chapter 33. Tax from the owners of transport facilities

Chapter 34. The procedure of introducing, assessing, paying and
accounting for local taxes and fees

Chapter 1 Tax Code application

Article 1. Tax Code

1. The present Tax Code applies to all taxes collected and administered, the tax behaviour of taxpayers in the territory of the Kyrgyz Republic with the exception of customs duties, levies, and payments regulated by Customs Legislation, local ta and collections regulated by local authorities in accordance with rights delegated by the Jogorku Kenesh of the Kyrgyz Republic.

2. Peculiarities of taxation of foreign investors and subjects of free economic zones (FEZ) shall be regulated by the appropriate laws of the Kyrgyz Republic.

Article 2. Sphere of the Tax Code Application

1. Provisions of the Tax Code are applied to all taxes, which are put into effect in accordance with the present Code.

2. They are also applied to other taxes, unless otherwise provided by some special legislative acts.

Article 3. Taxes in the Kyrgyz Republic

1. A tax is a compulsory payment, collected from income/turnover, received by legal and physical persons and comprises collections, fees, national duties and other compulsory payments (except penalties, repayment of debts, payments for provided goods, services and works) to the state budget.

2. The following sorts of taxes are collected in the Kyrgyz Republic:

1) Statewide taxes, for which the tax rates, the objects of taxation, the taxpayers and the collection methods are defined in the present Code;

2) Local taxes applied by the local Keneshes in accordance with Article 1 of the current Code.

Article 4. Introduction and Revocation of Taxes

1. The right to introduce or revoke taxes in the territory of the Kyrgyz Republic exclusively belongs to the Jogorku Kenesh of the Kyrgyz Republic.

2. Arrears of tax, fees, assessed interest and fines shall not be subject to writing off.

Article 5. The Procedure of Introducing Amendments to the Tax Code

1. All projects on introduction of amendments to the Tax Code are subject to preliminary expert evaluation of the Ministry of Finance of the Kyrgyz Republic prior to being considered by the Government and the Jogorku Kenesh, of the Kyrgyz Republic.

2. It is prohibited to include tax issues in other laws except for the cases stipulated by item 2 of Article 1 of this Code.

Article 6. Intergovernmental treaties and other acts ratified by the Jogorku Kenesh of the Kyrgyz Republic prevail over the Tax Code

The provisions of intergovernmental treaties and other acts to which the Kyrgyz Republic is a party, ratified by the Jogorku Kenesh of the Kyrgyz Republic, take precedence over the provisions of this Tax Code.

Article 7. Conversion of Foreign Currency

When tax is being assessed, the receipts and all other funds received in foreign currency, as well as expenses incurred in foreign currency, which are subject to deductions, shall be converted into soms in accordance with the official rate of the National Bank of the Kyrgyz Republic on the date of currency transaction.

Article 8. Instructions

1. The Ministry of Finance of the Kyrgyz Republic may issue instructions to carry out the requirements of the present Code.
2. The instructions have the force of law only after they were approved by the Government of the Kyrgyz Republic and shall be in force until they are revoked.
3. The instructions shall determine the procedure of applying the provisions of the Code. They are compulsory for all residents and non-residents, but any provision of the instructions, which contradicts the provisions of the present Code, is out of legal force.
4. The instructions shall refer to the numbering of the Parts, Chapters, and Articles of the present Code.

Article 9. Definitions Used in the Present Code

The terms used in the Tax Code shall have the following meanings:

1. "Agent" is a person who carries on activity on behalf of a taxable person, but is not its employee.
2. "Assets" designates an accounting category, comprising long-term, intangible and current facilities.
3. "Bad debt" designates the amount due to a taxable person, who cannot receive the full amount of debt due to insolvency or liquidation of a debtor or the period of limitation provided by the legislation has expired.
4. "Non-profit organization" is a public organization, whose Charter and activity do not pursue the purpose of gaining profit/income from commercial activity.
5. "Income from gaming" is the amount of money received from gaming except the paid win.
6. "Customs Union Member States" are the member states of the Customs Union within the CIS, to which the Kyrgyz Republic is the member.
7. "CIS Member States" are the countries, which are the members of the Community of Independent States.
8. "A state is considered to be exercising preferential taxation" if in its territory:
 - 1) the current tax rate is lower than that in the Kyrgyz Republic;
 - 2) the laws on confidentiality of financial information or the information of the companies, permitting to keep secrecy on the actual owner of the property or income, are in force.
9. "Dividends" means any distribution of income (property) of an economic partnership or society to a shareholder as an income from his shares of the economic partnership or society, or any other payment of this company in accordance with the interest of this person in its capital. The amount of subscription to the statutory (authorized) fund (with adjustment for inflation) paid to shareholders during the liquidation of a legal person shall not be considered a dividend.
10. "Long-term contract" designates a contract for production, construction and supply of goods, material valuables and equipment, installation or assembling of property, if the contract was not completed within 18 months after the commencement date of this contract.
11. "Income" is a newly-created value (received from sale of goods, services and the works performed minus material expenses, services of indirect organizations).
12. "Legal tender" is currency, which is legal payment facility in the country of issue of the currency.
13. "Taxpayer's registration number" (identification tax code) means the registration number (identification code) issued to a taxable subject by the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic.
14. "Import of goods" means an entry of goods into the customs territory of the Kyrgyz Republic.
15. To a "personal plot of land" are not related plots of land distributed to farmers in the established order as well as plots leased to physical persons.
16. "A person" designates any legal or physical person, carrying out activity in the territory of the Kyrgyz Republic.
17. "Excise banderole" is an approved pattern banderole, which is stuck on a batch, bottle or other container, in which excisable goods are sold, indicating that the excise tax was paid.
18. "Local taxes" make part of the system of taxes collected from legal and physical persons and transferred to the local budget.
19. "Local fees" are one-time levies established by local governments and collected from the population, enterprises and organisations as partial compensation of expenses incurred in providing them services or granting the right to carry out specific activity.
20. "Minimum annual income" designates the amount of 12 minimum monthly wages for a tax year.
21. "Minimum monthly income" designates income equal to a minimum monthly wage current during this month in the Kyrgyz Republic.
22. "Tax on supplies" - VAT paid or payable to the taxable subject for the shipped goods, works performed and services rendered in the course of business activity.
23. "Tax on acquired material resources" means VAT paid or payable by a taxable subject on acquired material resources.
24. "Tax subject to credit" is VAT paid or payable on acquired material resources which this Law allows to be deducted from the VAT on shipped goods works and services due in a VAT tax period of business activity.

25. "Value Added Tax" (VAT) means an amount assessed and payable under this Code.
26. "Resident taxpayer" is any person, continuously staying in the Kyrgyz Republic for 183 days or more during any calendar year or a person, who established a body of his own actual management in the Kyrgyz Republic under the Laws of the Kyrgyz Republic.
27. "Non-resident taxpayer" is any person, continuously staying in the Kyrgyz Republic for less than 183 days during any calendar year, implementing business activity and receiving income from a source in the Kyrgyz Republic .
28. "Immovable property" means buildings, constructions, perennial plantations and other property firmly connected with land, the transportation of which is impossible without incommensurable detriment to their purpose.
29. "Non-commercial organization" is one that satisfies the following terms:
- 1) this organization is registered as a political party, public movement, trade union, religious, charitable, amateur-sporting or other similar organization;
 - 2) its charter provides that none of its income or fixed assets may be applied for the benefit of its members or other subjects associated with one of the members of such an organization.
 - 3) its activities are conducted in accordance with its charter;
 - 4) this organization has obtained a certificate from taxation agencies that it is entitled to the preferences stipulated in Articles 112 and 145 of this Tax Code and this certificate has not been revoked.
30. "Intangible assets" are the objects of intangible property (such as a patent, license, trademark, ability to receive profit, a copyright or agreement on utilizing the name and the trademark of the firm - firm owner - distributor of goods and services), the useful life of which is one tax year or more, and are subject to depreciation.
Financial assets shall not be included into intangible assets.
31. "Taxable subject" - is a subject, which is registered or required to be registered for VAT.
32. "Taxable supplies" - are supplies, made by a taxable subject other than a supply which is exempt from VAT under Article 138 of the Code and mean:
- a) supplies of goods in the territory of the Kyrgyz Republic; or
 - b) supplies of works and services, carried out for consideration in the Kyrgyz Republic.
33. "Taxable imports" mean imports of goods to the customs territory of the Kyrgyz Republic, other than goods exempt from VAT or goods imported from the CIS Member States.
34. "Taxable Turnover" is the total value of all taxable supplies excluding VAT payable on those taxable supplies, for any particular period.
35. "Consideration" includes all types of payments in full or partially made to the supplier directly or indirectly for supplies paid or subject to payment in money or in kind.
36. "Fixed assets" are assets with the value of each being respectively in excess of 45 minimum monthly wages and lifetime exceeding one year, except land, stock of raw materials and finished goods.
37. "Fixed production assets" are assets with the value and lifetime of each being respectively in excess of 45 minimum monthly wages and more than one year and subject to depreciation.
38. "Supply" designates shipment of goods (sale, gift and acquisition of taxable goods for private purposes by a person), implementation of works and providing services (including gaining profit from property without ownership transfer, leasing and hiring land as well as subhiring) by a person carrying out business activity.
39. "Permanent establishment" is determined by a fixed place of a non-resident taxpayer's activity through which he conducts fully or in part business activity, including:
- 1) activity, performed through an authorized person;
 - 2) construction, installation or assembling of objects as well as performing controlling activity, connected with these objects;
 - 3) prospecting or extraction of natural resources; plants, constructions and other objects used for these purposes as well as performing controlling activity in connection with them;
 - 4) providing other services, including consultations.
40. "Acquired material resources" are fixed assets, goods, including raw materials and materials, fuel, completing items, and works performed, services rendered, which are received or imported by a taxable subject to be used for productive purposes in the course of economic activity.
41. "VAT invoice" means:
- a) an invoice issued in connection with a taxable supply by reason of Article 156 of this Code;
 - b) an equivalent document issued for the purpose of importing goods under the law providing for value added tax collection in the CIS Member States, from which goods are imported.
42. "The Customs Law" means current customs legislation of the Kyrgyz Republic.
43. "Customs value" means value of goods as determined in accordance with The Customs Law.
44. "Customs territory of the Kyrgyz Republic" has the same meaning as in the Customs Law.
45. "Sale of assets" designates sale, exchange, transfer or some other alienation of assets.

46. "Subject" means any physical or legal person, partnership, state body, carrying out business activity irrespective of the size of the enterprise, the type of activity, appurtenance and the forms of ownership.

47. "Authorized person" designates an employee of the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic and its local agencies, authorized by the head of the Tax Inspectorate to exercise his functions.

48. "Financial services" are:

a) transactions of issuance and transfer of loans, issuance of borrowings, credits, credit guarantees as well as provision of money guarantees, including management of borrowings, credits or credit guarantees on the part of creditors;

b) transactions with deposit and current accounts as well as other accounts, payments, transfers, debt liabilities, checks and negotiable commercial payment instruments, operations on collection and factoring.

c) transactions with currency, bank notes and money, that is a legal means of payment, excluding golden coins and samples of collection;

d) transactions with shares, bonds and other securities, excluding services on safekeeping securities;

e) financial leasing and other transactions indirectly connected with crediting;

f) management of investment funds.

49. "Authorized purpose" means:

1) collection of information concerning the extent, quantity and amount of economic deals, made between any person and a taxpayer being audited, with the aim of determining his tax liability;

2) receiving information from the persons, having economic relations with the taxpayer with the aim of tax collection;

3) authorized purpose includes determining tax liability of persons, whose personality has not been identified.

50. "Export of goods" means a supply of goods by a taxable subject beyond the customs territory of the Kyrgyz Republic.

51. "Business activity" designates carrying out all types of business activity by a subject irrespective of purposes and results of such kinds of activity.

52. "Tax year" - the tax year of a taxpayer is a calendar year.

PART II ADMINISTRATION

Chapter 2 Functions, authorities and duties of the tax service

Article 10. Tax Service

1. The Tax Service of the Kyrgyz Republic comprises the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic and its local bodies.

2. For the purposes of this Code a "tax inspector" is an employee of the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic authorized by the Director of the relevant Inspectorate to carry out appropriate duties.

Article 11. Legal Basis for Activities of the Tax Service

The legal basis for the activities of the Tax Service is the Constitution of the Kyrgyz Republic, this Tax Code, and other laws of the Kyrgyz Republic which do not contradict this Code.

Article 12. Forms of Documentation and Instructions

The Ministry of Finance of the Kyrgyz Republic must develop appropriate documentation forms on taxes; prepare Instructions on the procedure of filing all the required documents.

Article 13. Tax Inspections and Audits

1. The State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic and its bodies are the only bodies authorized to carry out taxpayer inspections and audits for the purpose of ascertaining tax liability. When checking they shall be governed by the Articles of this Code.

2. Tax inspection of taxpayers shall be implemented on the basis of the written order of the State Tax Inspectorate Director with the indication of the name of the enterprise, the issues to be checked and the dates of inspection, but not more than once a year by one of the agencies : rayon, city, Oblast or republican STI, and the term of inspection must not

exceed 30 days. If necessary, the term of inspection can be extended for another 10 days on the written permission of the management of the State Tax Inspectorate.

3. If the Tax Service receives documentary evidence to the effect that there are all the facts of the understatement of tax by the previously checked taxpayer, which were not revealed during the inspection, then it is entitled to carrying out another inspection lasting no more than 10 days. Additional inspection shall be implemented exclusively on the basis of this documentary evidence within the mentioned period of time.

4. The Tax Service shall inform the taxpayer under inspection about the facts on the basis of which another inspection is being performed.

Article 14. Basic Functions of the Tax Service

The basic functions of the Tax Service are to collect taxes, ensure the implementation of tax legislation, study its effectiveness and influence on the development of the market economy, and participate in the preparation of draft treaties with other states on tax-related issues.

Article 15. Provision of Information to the Taxpayer

For the purposes of efficient implementation of this Tax Code calculations, notices, returns, tables, and other documents must conform to the format determined by the Tax Service. These documents can be published only with the permission of the Tax Service.

The Tax Service may distribute such documents among the population through its inspectorates, or by mail, as it considers necessary.

Article 16. Secrecy

1. Except as provided in item 4 of this Article, the Tax Service, and all persons who are or have been its employees, must keep secret the information concerning a specific taxpayer, which they have received in an official capacity, and may disclose the information to the following persons only on their written request, given the taxpayer is next informed of it:

1) to other employees of the Tax Service in the course, or for the purpose, of carrying out their duties under this Code;

2) to law enforcement agencies only in respect of the commenced criminal actions, for the purpose of the prosecution of a tax offense;

3) to a court, in a proceeding to establish a taxpayer's tax liability or his responsibility for tax violations;

4) in accordance with an international treaty, to the tax authorities of a foreign country.

2. A person receiving information under item 1 is required to keep it secret under the provisions of this Article. In special cases for the purposes of ensuring completeness of scope, correctness of assessment of tax penalty amounts and timely payment of these amounts to the budget, disclosure of the information by the law enforcement agencies and courts is permitted.

3. Except in the case of information received pursuant to item 1 or item 4 of this Article, a person, who receives information the disclosure of which is regulated by this Article, must not disclose this information and must return the documents with this information to the Tax Service.

4. Information concerning a taxpayer may be disclosed to another person with the taxpayer's written consent.

Article 17. Taxpayer Registration Identification Numbers

1. The State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic shall assign a unique identification number, which is to be the same for all taxes and is taken from the uniform register of the Kyrgyz Republic, to every taxpayer (including persons who are not taxpayers, but who make taxable payments in the hands of the recipients within the limits stipulated by the present Code). The Tax Service shall indicate a taxpayer identification number in all notifications sent to the taxpayer.

2. The taxpayer shall indicate his identification tax number on any return, notice, or other document used for the purposes of implementing the tax law.

3. A taxpayer, having submitted the required documents to get registered at the Tax Inspectorate, must apply to the same Tax Inspectorate for a taxpayer identification number within ten days of filing the registration documents. Some taxpayers, whose register is to be developed by the State Tax Inspectorate, shall have a different period during which they shall apply to the Tax Service in order to get their taxpayer registration identification number.

Article 18. Interpretations of the Ministry of Finance of the
Kyrgyz Republic

The Ministry of Finance of the Kyrgyz Republic is obliged to publish its interpretations of Tax Code provisions in the official republican press. The Tax Service must follow the rulings stipulated in these interpretations until they are revoked.

Chapter 3
General issues of taxation procedure

Article 19. Written Notification of Taxpayers

1. An notice (or other official document) on tax assessment or tax arrears is served on a taxpayer by the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic or its local bodies.

2. Notification is binding only if it is authorized by this Code, is signed by an authorized official, contains the full name and title of the Director of the Tax Inspectorate and the official seal, and is served upon the taxpayer in the manner established by items 3 and 4 of this Article.

3. When this Code requires the Tax Service to give notice in writing to a physical person, the notice is considered sufficiently served if personally delivered to that person, if delivered to the last registered business address of that person, or is delivered to the residential address of that person.

4. When the Tax Code requires the Tax Service to give notice in writing to a legal person, the notice is considered sufficiently served if it is delivered to the actual business address or the last registered address of the legal person in the Kyrgyz Republic.

Article 20. Validity of Notices and other Documents

1. A notice or other official document issued under this Code shall not be considered valid or effective because of failure to comply with the requirements of items 1 or 2 of Article 19 of this Code, even if the taxpayer had effective knowledge of the notice and its content. The burden of proving the taxpayer with such knowledge is with the Tax Service.

2. A notice or other official document issued under this Code shall not be considered valid or effective by reason of defects even if it is, in substance and effect, in conformity with this Code and the person affected by the notice or document is designated in it according to common understanding.

Article 21. Measurement of Time Periods

1. Any time period prescribed by this Code begins on the day after the event or legal act that causes the time period to begin running.

2. The time period ceases at the end of the working day following the last day of the period. If the day following the last day is on a Sunday or legal holiday, the time period ceases at the end of the next working day.

Article 22. The Currency in which Taxes shall be Assessed and Paid

Taxes are to be paid in Som, the national currency of the Kyrgyz Republic.

Chapter 4
Preparation and maintenance of tax information

Article 23. Preparation and Retention of Records

1. Taxpayers are required to keep records, books and accounts as prescribed by the instructions.

2. Taxpayers-legal persons are required to retain records for 6 years, taxpayers- physical persons - for 3 years for the administration of any tax to which the records relate.

3. A taxpayer who has prepared records as required under this article in a language other than the national or Russian language shall, upon the request of the Tax Service, provide a translation of the records into the appropriate language.

Article 24. Filing Tax Declarations

1. If required by this Code, every taxpayer must, not more than once a year, file a completed tax declaration with the Tax Service.

2. A tax declaration must be signed by the taxpayer or, in the case of a taxpayer under a legal disability, by the taxpayer's legal representative.

Article 25. Filing Information on Income

Under the provisions of this Code, payers of income shall provide the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic and the person having received the income with written information to this effect.

Article 26. Extension of Time to File Declaration

The Tax Service may extend the period in which a tax declaration is required to be filed under this Code, if the taxpayer applies for the extension by the due date but for a month only.

Article 27. Powers of the Tax Service to Obtain Information

1. The Tax Service has the right by giving reasonable notice in writing on time, to require an appropriate subject :

- 1) to furnish the information concerning business transactions of this subject with the taxpayer being inspected;
- 2) to appear at place of location of an STI office for the purpose of clarifying the issues, producing documents or other evidence in the possession of that person that are described in the notice.

2. An authorized officer, supported by written powers, has the right to enter any business premises,(except dwelling) or premises open to the public during working hours of the taxpayer under inspection, without prior notice, for the purpose of carrying out inspection of the object of taxation and with the subsequent official drawing up of the examination results.

3. An authorized official who for an authorised purpose legally enters the premises under item 2 of the present Article has the right:

- 1) to obtain, make a copy of any document, concerning the object of taxation at the expense of the State Tax Service;
- 2) to obtain and seal any exhibits with the drawing up of appropriate papers;
- 3) to instruct installation of monitor meters within 10 days and check their readings;
- 4) to seal records or other items.

If an authorized officer obtains a record or other item pursuant to the authority provided under this Part, the Tax Service may make a copy of the record or other document and must return the original to it's owner within 5 days unless otherwise permitted by court order.

4. This Article does not authorize access to the premises of diplomatic, consular, or other missions of foreign countries and international organizations which enjoy immunity from such investigations under the international law and the Law of the Kyrgyz Republic.

Article 28. Requirements to Banks and other Finance and Crediting

Establishments on the Issues of Tax Administration

1. Banks and other finance and crediting establishments are required to do the following:

- 1) open commercial and other accounts for a taxpayer only upon submission by him of a document issued by the State Tax Inspectorate under the Ministry of Finance confirming his tax registration, and notify the appropriate tax body that the taxpayer has opened these accounts;

- 2) assign precedence to payment orders and other instructions from taxpayer clients regarding the transfer or payment of taxes from their commercial or other accounts, providing there are funds in these accounts;

- 3) transfer taxes and other amounts due to the budget on the day when the operation involving the withdrawal of money from the taxpayer's commercial or other account has been completed;

- 4) upon the written application of the higher level tax body, give a permission to authorized officials of the Tax Service to audit past or present transactions with commercial and other accounts and verify the presence of funds in the accounts of legal entities and audit the operations and verify the presence of funds in the accounts of specific persons;

- 5) stop all operations involving the disbursement, transfer and withdrawal of money from commercial and other accounts of taxpayers on the instructions of Tax Service under the provisions of Article 54 or 55 of this Code and assign precedence to the instructions regarding the unconditional collection of the taxes involved;

- 6) Pursuant to Article 27 of this Code, supply the Tax Service with the following information:

- a) on transactions involving commercial and other accounts during a given period of time and on the presence of funds in the accounts of taxpayers;

- 7) Submit information reports on interest paid, pursuant to the provisions of Article 25 of this Code.
2. Commodity and stock exchanges are required to submit similar information to the Tax Inspectorates.

Chapter 5 Assessments, period of limitations, notice of assessment

Article 29. Tax Accounting Methods

1. A taxpayer shall determine the amount of receipts for the purposes of taxation by the following methods:
 - 1) on the basis of invoices;
 - 2) on the basis of payments;
 - 3) on a combined basis.
2. The method, which was selected for accounting purposes, must also be used for tax assessment.
3. The taxpayer cannot change his method of accounting without getting a preliminary written permission of the Tax Service.
4. If a taxpayer changes his method of accounting, amendments to the articles of account sheets must be introduced in that tax year, during which the method was changed, so that no revenues (deductions) were omitted or included twice.

Article 30. Assessments

1. The Tax Service shall make an assessment of the tax due at the amount shown by the taxpayer in the declaration. If the Tax Service considers the assessment to be incorrect, it may reassess the tax and serve a notice on the taxpayer in accordance with Article 37 of this Code.
2. If a taxpayer has an obligation to file a tax declaration and fails to do so, or if the taxpayer does not show the tax liability on the declaration, the Tax Service may make an assessment on the calculation basis or the basis of the previous reporting period and shall serve a notice on the taxpayer of any assessment that it makes under the provisions of Article 37 of the present Code.
3. A taxpayer is required to pay the tax shown as payable by the date stated in the assessment notice.
4. The Tax Service is entitled to apply penalty, from the date when the incorrect assessment was revealed except in such cases when it occurs through the fault of the Tax Service. Additional tax assessment or refund shall be made for the period beginning from the date of the last audit up to the date when underassessment or overpayment was revealed.

Article 31. Inventory and Revaluation Procedure

1. Inventory making for the purposes of taxation shall be performed in accordance with the book keeping.
2. A taxpayer is entitled to adjust the residual inventories value according to the index of consumer prices (the level of inflation) from the day they were purchased up to the day of their being processed or sold. Revaluation shall be made through multiplying the above mentioned index by the value of the inventories.
3. The value increased (decreased) as a result of revaluation of inventories in accordance with item 2 of this Article shall not increase (decrease) the amount of taxable income.

Article 32. Gains and Losses from Increment of Value or Disposal of Assets

1. Increment of assets value arising in the course of their disposal, included in the aggregate annual income of a taxpayer, shall be a positive difference between the receipts from disposal and residual balance sheet value of these assets.
2. The amount of losses arising from disposal of assets, which is subject to deduction from the aggregate annual income of a taxpayer, shall be the negative difference between the receipts from disposal and balance sheet value of these assets.
3. (Deleted)
4. Items 1 and 2 of this Article shall not be applied to the depreciable assets or with regards to the residual inventories.

Article 33. Cost of Assets.

1. Cost of assets comprises expenditures incurred in their purchase, production, construction, assembling and installation as well as other expenditures, which enlarge their value except expenditures, which can be deducted by a taxpayer.

2. Where only part of the assets is disposed, the value of the asset at the moment of disposal shall be distributed between the remaining and the disposed part of the asset.

Article 34. Revenues and Deductions on Long-Term Contracts.

1. Revenues and deductions relating to long-term contracts shall be calculated during the tax year on the basis of a percentage performance of a contract (actual performance), and taxes shall be paid during the reporting year.

2. Where a taxpayer applies the method on the basis of invoices, the performed part of the contract shall be determined through comparison of expenditures incurred by the end of the tax year with the aggregate expenditures on this contract.

3. Where the method on the basis of payments is applied, the performed part of the contract shall be determined by the works (services) actually performed and paid for during the year.

Article 35. (Deleted)

Article 36. Due Time for Filing Tax Returns

1. Declaration on the aggregate annual income and deductions made shall be furnished with the local tax office where the taxpayer is registered on or before March 1 of the year following the reporting year.

2. Where a taxpayer terminates his business activity in the Kyrgyz Republic, the tax service is entitled to require filing a tax declaration by the taxpayer for the period of less than 12 months by serving a notice in writing indicating the reason, the date, when and for what period a tax declaration must be filed.

3. Where liquidation of a legal person takes place, a liquidation commission or a taxpayer shall inform the Tax service about it in writing within three days. The taxpayer must file a declaration on the aggregate annual income and deductions with the Tax Service office at the time of terminating business activity within 30 days after the decision concerning a legal person's liquidation was taken.

Article 37. Notice of Tax Assessment

1. A notice of tax assessment must contain the following information:

- 1) the name of a taxpayer;
- 2) the taxpayer's identification number;
- 3) the date of issuance of the notice;
- 4) the tax issue to which the notice relates;
- 5) the amount of tax assessed;
- 6) a requirement for tax payment to be made within 30 days following the date of the notice issuance;
- 7) the place where the payment shall be made and the method of payment;
- 8) a summary statement of appeal procedures.

Article 38. Period of Limitations

A taxpayer may request a refund or transfer of the paid amount to another tax liability within three years after the end of the taxation period.

Chapter 6 Collection of tax

Article 39. Payment of Tax

1. Tax is due and payable at the time specified by the present Code.
2. The final tax amount is due and payable simultaneously with filing a declaration.
3. Payment of tax must be performed at the legal address of a taxpayer, except for the cases stipulated by the Law of the Kyrgyz Republic "On the State Budget".
4. Tax can be paid to the budget as a fixed payment (patent).

Article 40. Current Tax Payments.

A taxpayer must regularly make current tax payments to the budget not later than on the 20-th day of each month of a tax year at the rate of the appropriate tax, applied to the financial result of the business activity for the preceding month, unless otherwise provided by the appropriate parts of the present Tax Code.

Article 41. Payment of Taxes based on Tax Year Results.

A taxpayer must make a final settlement and pay income tax from the date of filing the declaration on the aggregate annual income and deductions made for the reporting year, but not later than March 10 of the year following the reporting year.

Article 42. (Deleted)

Article 43. Addition of Recovered Losses and Written Off Debts to the Income of a Taxpayer

1. Where losses previously deducted from the aggregate annual income are recovered, and written off debts are repaid, the recovered amount shall be considered to be the income of the year in which it was received.
2. The recovered amount shall comprise:
 - 1) the amount of money compensation;
 - 2) value of goods, works performed, services provided and gains received, calculated in accordance with their market value at the taxpayer's location.

Article 44. Offset of Tax Paid Outside the Kyrgyz Republic

1. Tax amount paid by the taxpayer-resident of the Kyrgyz Republic in a foreign state must be allowed as a credit when payment of tax takes place in the Kyrgyz Republic, given there are agreements with this state on avoidance of double taxation.
2. The credit amounts, stipulated by item 1 of the present Article, must not exceed the tax amount, which would be paid in the Kyrgyz Republic in accordance with the rates current in the Kyrgyz Republic.

Article 45. Refund of Tax

1. If the amount of the tax paid exceeds the amount of the tax assessed, the Tax Service shall:
 - 1) apply the excess against the taxpayer's assessed liability to pay other taxes assessed by the Tax Service;
 - 2) on agreement with the taxpayer, apply any remaining amount to the taxpayer's liability to make advance payments of tax;
 - 3) to repay any remaining amount to the taxpayer with interest calculated, according to the discount rate of the National Bank of the Kyrgyz Republic within 30 days from the moment the excess amount occurred, under Article 63 of this Code.

Article 46. Extension of Time for Payment

1. Upon written application by a taxpayer the Tax Service may extend the time for payment of tax, except VAT on goods imported to the Kyrgyz Republic and excise tax. Such an extension of time for payment may include taxes already in arrears, assessed interest and fines. The bodies of the Tax Service may only extend the time for payment in respect of the following amounts:
 - 1) a Rayon Inspectorate, a maximum tax liability of 10,000 soms;
 - 2) Oblast and Bishkek Inspectorates, a maximum tax liability of 100,000 soms;
 - 3) Republic Inspectorate, unlimited tax liability.
2. An extension may be granted under item 1 of the present Article only if evidence is provided to the Tax Service that the ultimate collection of the tax is not in danger, and the taxpayer agrees in writing that all taxes becoming due during the period of time of the extension will be timely declared and paid. Factors that must also be considered when evaluating the taxpayer's application include the financial solvency of the taxpayer, any business or privatization plans of the taxpayer that include arrangements for payment of the overdue taxes, and the length of time required for payment.

3. The Tax Service may require that a taxpayer furnish a written installment payment schedule or make other arrangements to ensure the payment of the tax as further conditions for granting the extension, stipulated by item 1 of the present Article.

4. If a taxpayer has been granted an extension under item 1 of the present Article:

1) interest is levied under provisions of Article 63, notwithstanding the extension of time for payment;

2) the running of the period of limitations under the provisions of item 5, Article 52 of this Code is suspended for the period of extension; and

3) the Tax Service must not levy upon or seize the property of the taxpayer under the provisions of Article 52 or 54 of this Code, provided the conditions under items 2 and 3 of the present Article are met.

5. The Tax Service may declare an extension under item 1 of the present Article null and void and proceed immediately to levy tax, if:

1) notwithstanding the provisions of item 4, the Director of the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic determines during the period of time of the extension that the ultimate payment of the tax is in danger and informs the taxpayer of it in writing;

2) the taxpayer fails to timely file declarations and pay taxes in accordance with tax declarations becoming due during the extension period;

3) the taxpayer defaults on conditions agreed to under item 3 of the present Article.

6. Upon a written application of a taxpayer the State Customs Committee of the Kyrgyz Republic has the right to extend the time for payment of VAT on goods imported to the Kyrgyz Republic according to the procedure stipulated by items 2-5 of this Article.

Article 47. Order of Payment of Tax Debts

1. Payments of a specific tax shall be applied in the following order:

1) the principal amount of the tax;

2) interest on the tax;

3) penalties and fines relating to the tax.

2. The Tax Service may apply a tax payment to any tax which has been assessed and is due:

1) if the taxpayer fails to indicate to which specific tax or taxation period the payment should be applied;

2) if the payment is collected pursuant to a levy or confiscation of property.

Article 48. Liability for Tax Arising from Liquidation

1. This Article applies where a legal person is liquidated, without having satisfied its tax liabilities.

2. Upon liquidation of a legal entity the common and personal responsibility for payment of tax liabilities is carried by the officials, shareholders, investors, founders and other members to the extent that they received assets of the legal entity being liquidated during the period of time in which the unpaid tax liability was incurred, or within 3 years prior to the liquidation, whichever is the shorter period.

Article 49. (Deleted)

Chapter 7 Recovery of tax

Article 50. Assessment, Withholding and Transfer of Tax to the Budget

1. Assessment, withholding and transfer of tax to the budget at the source of income payment to other persons must be performed by all persons carrying on business activity and paying:

1) wages to employees working under a contract of employment within their business activity;

2) pensions, other than pensions paid under the state social security system;

3) dividends and interest (except for physical persons);

4) Kyrgyz source income paid to a non-resident.

2. A person paying out income to the other person shall be responsible for proper assessment, withholding and full transference of income to the budget by the due date according to item 1 of the present Article. Where taxes are not calculated, withheld and fully transferred to the budget in a proper way and by the due date, a person paying income to another person shall have to pay to the budget the amount of the tax due and appropriate fines and penalties.

3. A person withholding tax shall:

1) transfer tax to the budget within 10 days following the day on which income was paid; The tax withheld at the source of payment to another person shall be credited to the taxpayer for the current tax year.

Article 51. Recovery of Tax through Court

1. Tax that is not paid by the due date is a debt to the budget.
2. Where a person having tax liability fails to pay tax when it is due, the Tax Service may file with the court at its discretion:
 - 1) a statement setting forth the amount of the tax owed in order to have it enforced;
 - 2) a petition in accordance with provisions of the bankruptcy law requesting that the tax payer be liquidated as bankrupt.

Article 52. Levy of Tax and Seizure of a Taxpayer's Property

1. If a taxpayer fails to pay tax by the date required under Article 37, item 6, of the Tax Code, the Tax Service has the right for the purposes of tax enforcement:

1) to levy and seize tax and other compulsory payments that the taxpayer agrees with to the budget and other non-budgetary funds, as well as the amounts of penalties and other financial sanctions, stipulated by this Code;

2) to seize a taxpayer's property on court decision. The Tax Service has the right to bring a matter on property seizure to court only if it has served on the taxpayer a notice of intention to do so in full compliance with the requirements of the Article of this Code, and the taxpayer has failed to pay within 30 days following the service of this notice.

2. A person, in possession of property on which levy and seizure decision has been made by the court must, on a written demand of a designated officer, surrender the property to the Tax Service, except such property which has already been pledged as security to financial and crediting institutions.

3. A person who fails to comply with item 2 of the present Article is liable to the budget at the amount of the property or security value, but not exceeding the amount received from levy and seizure.

4. A person complying with the requirements of item 2 of the present Article or Article 54 of this Code is, from the time of compliance, discharged from any obligation to the taxpayer or any other person to the extent of the value of the property surrendered to the Tax Service.

5. Levy and seizure under this Article must be commenced within 6 years with respect to the taxpayers -legal persons and within 3 years with respect to the physical persons from the date of issuance of the notice of assessment pursuant to which the tax is assessed.

6. Fixed production assets used in the taxpayer's trade or business activity are exempt from levy and seizure, up to an aggregate of 1000 minimum monthly wages. The taxpayer's dwelling is exempt from levy and seizure to satisfy tax liabilities.

Also exempt from levy and seizure is the property which does not relate to business activity unless there is a court decision to this effect.

Article 53. Sale of Seized Property

1. The Tax Service is authorized to sell the property of the owner seized, confiscated by court decision. Sale of seized property shall be performed openly with the aim of avoiding abuses.

2. The sales proceeds are applied first of all against the expenses of the levy, seizure and sale, then against the tax, interest, penalties and fines. Excess proceeds shall be returned to the taxpayer.

3. Seized property shall be released to the taxpayer if, prior to the sale thereof, the taxpayer pays the full amount of taxes for which levy and seizure was made, including interest, penalties and fines, and all expenses of the levy and seizure.

Article 54. Levy and Seizure of Amounts Due to the Taxpayer from the Third Parties

1. Pursuant to levy under item 1 of Article 52 of this Code, the Tax Service is authorized:

1) to issue a notice to third parties including an employer or a bank or another financial institution, handling its direct payments;

2) to make direct collection of these amounts from the bank account of a third party at the amount of the debt to the taxpayer recognized by that third party on the day when the notice is served.

2. A notice may be issued under this Article to the taxpayer's employer. Such a notice may be specified as having a continuing effect until the tax is paid in full or the Tax Service revokes the notice. Wage amount of 10 minimum wages for the taxpayer and 5 minimum wages for each dependent family member shall be exempt under such a notice.

Article 55. Collection of Tax during Export and Import Operations

The State Customs Committee under the Government of the Kyrgyz Republic shall, on the basis of a notice issued by the Tax Service, seize export and import goods that are the property of the taxpayer on court decision. The value of the goods seized shall equal the amount of the tax arrears.

Article 56. Levy and Seizure of Foreign Currency

1. The provisions of Article 52 of this Code include the right to levy upon and seize the foreign currency in the possession of a taxpayer or being held by other persons, including a bank or other financial institution.

2. Foreign currency seized by the Tax Service shall be transferred to the National Bank of the Kyrgyz Republic to be disposed at the currency auction or at the currency market. The amount received from the disposal of currency shall be transferred to the budget.

Chapter 8

Appeal against tax service decisions

Article 57. Administrative Appeals

1. A taxpayer who is dissatisfied with an assessment or other decision of an official of the tax body may take an appeal from the decision by the official to the Tax Service not later than 30 days following the decision. The request must be in writing and contain the necessary arguments and documents on which the taxpayer bases the appeal.

2. The Tax Service shall consider and make a decision concerning the taxpayer's appeal and inform the taxpayer in writing of its decision under Article 19 of the present Code within 30 days following the registration of the appeal by the Tax Service body, with indication of the reasons for the decision.

3. Where violation of the term and the procedure of notification of a taxpayer on the part of the tax body takes place, the appeal shall be considered satisfied.

4. If a taxpayer is dissatisfied with the decision of the tax body concerning his appeal, or if the tax body has not made any decision on the appeal within 30 days, the taxpayer may appeal to a higher level body.

Article 58. Appeals to Court

1. A taxpayer who disagrees with the Tax Service's final decision made under Article 57 of this Code, or with the final decision of a higher level body, may appeal to the appropriate court following notification of such a decision.

Article 59. Suspension of Court Proceedings on Levy and Seizure Action

Levy and seizure action in court shall be suspended if such action is under consideration of an appeal under Articles 57 or 58 of this Code.

Article 60. Tax Liability Due During Appeal

Where a taxpayer has appealed to the Tax Service or to a court after the decision has been made by them against tax assessment, the tax liability remains due and payable at the amount determined by the higher level Tax Service body or court with regards to the appeal.

Chapter 9

Penalties and administrative responsibility for the violation of the Tax Code by a taxpayer

Article 61. Taxpayer's Responsibility

Taxpayers shall be responsible for correct assessment and timely payment of taxes to the budget under the provisions of the Tax Code.

Article 62. Procedures Applicable to Penalties and Interest from the tax amount

Liability for penalties, fines or interest under the provisions of this Code shall be calculated separately.

Article 63. Interest on Late Payment of Tax

1. If the amount of tax is not paid by the due date, the taxpayer is obligated to pay interest on the amount payable for the period from the due date up to the date the tax is actually paid.

2. The tax is payable to the budget with the interest amounts assessed from the initial date of tax payment being taken into account.

3. The rate of interest on overdue tax payments shall be equal to the discount rate of the National Bank of the Kyrgyz Republic.

Article 64. Penalties for Late Filing and Late Payment

1. A person who fails to file a declaration by the due date thereof is liable for a penalty of 5% of the tax unpaid amount for each month that the failure continues, but not more than 10% of the unpaid amount in total for physical persons and not more than 25% for legal persons.

2. If a taxpayer fails to pay an assessed tax by the date specified in the notice, the taxpayer is liable for a penalty of 5% of the unpaid tax for each month that it remains unpaid.

3. The total amount of combined penalty under items 1 and 2 of this Code cannot exceed 10% of the unpaid amount in total for physical persons and not more than 25% for legal persons;

4. The application of this article also extends to the case of underpayment of tax.

Article 65. Penalty for Understatement of Tax

1. If the amount of tax required to be shown on a declaration exceeds the amount actually shown on the declaration, and the Tax Service detected that the understatement of tax had been performed deliberately or through falsification of the documents, the taxpayer is liable for a penalty of 100% of the excess.

2. If the amount of tax required to be shown on a declaration exceeds the amount shown on the declaration, and the Tax Service detected the fact of tax understatement caused by negligence or untimely delivery of instructions, declaration forms, calculations etc., the taxpayer is liable for a penalty of 50% of the excess.

Article 66. Penalty for Conducting Business Activity without Registration

If a person engages in business activities without registering with the Tax Service as a business enterprise in accordance with the present Code, the taxpayer is liable for a penalty of 200% of the taxes for which he is liable during the entire period of such activities.

Article 67. Responsibility for Interference with Tax Investigation

1. If a taxpayer interferes with an investigation of his tax liability, a fine is imposed on that person equal to 5% of the unpaid amount for each month or fraction of a month for which the failure continues.

2. For purposes of this Article, a person interferes with a tax investigation if the person:

1) fails to comply with a lawful request by officials of the Tax Service to examine documents or records connected with the business activities within the control of the person.

Article 68. Liability of Officials

1. Where an official is required to withhold, collect, account for or pay over any tax imposed by the present Code and that person:

1) fails to properly withhold, collect, account for or pay over that tax; or

2) attempts to evade such tax or the payment thereof, then any responsible official shall be personally liable to a fine.

2. The fine imposed by this Article on officials shall not exceed the total amount of tax not withheld, not collected, not paid over or evaded.

3. For the purposes of this Article penalties that do not exceed 20 minimum monthly wages shall be applied to a responsible official, who is:

- 1) a Director who had a reason to know of the acts referred to in item 1 of this Article;
- 2) the Chief Accountant or other principal officer who has supervisory or control functions over the acts referred to in item 1 of this Article and who had actual prior knowledge of such acts.

Chapter 10 Criminal offenses on taxes

Article 69. Right to Preliminary Investigation

1. The power to conduct preliminary investigations of tax offenses belongs exclusively to the special divisions (tax police bodies) of the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic.

Chapter 11 Offenses by authorized officials

Article 70. Offenses by Officials of Tax Bodies

1. A person being appointed for the administration of tax legislation, who willfully:
 - 1) demands from any taxpayer an amount in excess of the authorized assessment of the tax;
 - 2) withholds for his own use or another use not provided for in the tax law any portion of the amount of tax collected;
 - 3) files an incorrect report, whether orally or in writing, of the amounts of tax collected or received by him;
 - 4) uses his position as a tax official to obtain money or any other advantage from the taxpayer or any other person;
 - 5) accepts from a taxpayer or from any other person money, or any other advantage to facilitate the reduction of an actual or potential tax arrears;
 - 6) not being authorized to do so, collects or attempts to collect taxes;
 - 7) does not observe commercial secret and privacy of deposits shall be held guilty of an administrative, disciplinary, property and criminal offense.
2. Direct losses (damage including loss of profit) inflicted on taxpayers due to duties being improperly performed by tax bodies and their officers shall be subject to compensation in the order established by the current legislation.
3. Besides, for the purposes of this Article, penalties and fines at the amount of 20 minimum monthly wages shall be imposed on officials and authorised persons of tax bodies by the appropriate bodies of the Tax Service.

Article 71. Recovery of a Taxpayer's Losses Caused by Incorrect Actions of Authorized Officials of the Tax Service

1. Where wrongful acts of officials of tax authorities were substantiated, the direct losses incurred shall be accordingly compensated at the expense of the Republican and local budgets.
2. The Ministry of Finance of the Kyrgyz Republic and local financial bodies shall pay compensation of losses within 3 days following the decision of the appropriate tax body or court. Where delay of payment takes place, the Ministry of Finance of the Kyrgyz Republic and local financial bodies shall pay interest for each day of delay at the discount rate of the National Bank of the Kyrgyz Republic.

PART III INCOME TAX FOR PHYSICAL PERSONS

Chapter 12 General provisions

Article 72. Income Tax Payers

1. An income tax is hereby imposed on every physical person who has income, including both residents and non-residents of the Kyrgyz Republic.

2. Members of farms, farmers associations for whom the land is the principal means of production shall only pay land tax.

Article 73. Object of Taxation

1. The object of taxation shall be income, calculated as the difference between aggregate annual income and deductions allowed under this Code.

Chapter 13 Aggregate annual income

Article 74. Composition of Aggregate Annual Income

1. Aggregate annual income shall comprise all types of income both monetary and in kind, and in the form of works and services, received from:

1) employment, including wages and salaries, and other forms of income received in exchange for labour services. Other forms of income from employment include receiving of:

- (1) payment (in any form) for providing any movable and immovable property;
- (2) income from disposal of intangible assets (non-ownership rights) to another person;
- (3) discount on purchase of goods;
- (4) life and health insurance premiums and other similar amounts paid by employers;
- (5) other benefits except those established by the legislation;

2) investments and economic activity in the form of:

- (1) interest income, except the interest previously taxed at the source of income in the Kyrgyz Republic;
- (2) dividend income, except the dividends previously taxed at the source of income in the Kyrgyz Republic;
- (3) receipts from sales of non-depreciable assets, their value being adjusted for inflation;
- (4) monetary payments and payments in kind, services, goods, discounts and privileges from any economic activity;
- 3) income derived from any source except for cases of taxpayer being exempt from taxation in accordance with the present Code.

2. Aggregate annual income includes amounts transferred to the third party as:

- 1) debt intersettlement of the taxpayer and the third party;
- 2) settlements with reference to direct and indirect expenses made by the third party to the taxpayer.

3. Aggregate annual income of a resident taxpayer shall comprise the income received by a taxpayer on the territory of the Kyrgyz Republic and outside the Republic.

4. Aggregate annual income of a non-resident taxpayer shall comprise the income received from the source within the Kyrgyz Republic.

5. Amounts resulting from revaluation of inventories shall not be included in aggregate annual income.

Chapter 14 Deductions from the aggregate income for the assessment of its taxable amount

Article 75. Deduction of expenses of deriving income

1. Deduction from the aggregate annual income shall be allowed for the following expenses of a taxpayer connected with receiving income:

- 1) for paying wages;
- 2) for providing social and material benefits to the employees;
- 3) for reimbursement of services provided by brokers, dealers and investment funds with regards to purchasing securities;
- 4) all other production expenses incurred in receiving income.

2. Traveling expenses shall be allowed for deduction at the amount substantiated in the filed documents, where no documents are submitted - at the amount established by the Government of the Kyrgyz Republic.

3. Where a taxpayer provides services as a worker or an employee, deductions from the aggregate annual income of such a taxpayer shall be allowed for non-reimbursed expenditures, which are unavoidable due to the kind of activity of a taxpayer and beneficial primarily to the employer.

Article 76. Deductions allowed to physical persons

1. Each taxpayer is allowed a deduction equal to 4 minimum monthly wages for each month of a tax year.
2. A taxpayer is allowed an additional deduction for each month during a tax year:
 - 1) one minimal monthly wage for each dependent member of his household;
 - 2) one minimal monthly wage during a year in addition to a deduction provided under point 1 of this Item of the present Article for a mother who has given birth to and raised 4 or more children in the family of a taxpayer.
3. If a taxpayer has been awarded an Honorary Title by the Government he is entitled to one minimal monthly wage deduction during a tax year in addition to deductions provided under Items 1 and 2 of this Article.
4. The deduction under item 2 of this Article may be claimed only by one taxpayer in respect of a particular dependent and a mother under point 2). item 2 of the present Article, that being the taxpayer with the highest taxable income received prior to these deductions.
5. The following persons are entitled to an additional deduction for every month of a tax year:
 - 1) Invalids and veterans of military service who participated in the Civil, Great Patriotic Wars, in the war waged in Afghanistan, as well as in other countries, and invalids of Categories I and II shall be permitted an additional deduction equal to 4 minimum monthly incomes.
 - 2) Spouses of military persons who perished in the war waged in Afghanistan and other countries under international agreements and invalids of Category III shall be entitled to an additional deduction equal to 3 minimum monthly incomes.
 - 3) Persons (including those sent for a period of time or on business to Chernobyl) having taken part in clearing away the destruction caused by the Chernobyl disaster within the zone of alienation or those engaged in operating or other works at the Chernobyl atomic station shall be permitted an additional deduction equal to 4 minimum monthly incomes.
6. If a taxpayer leaving the Kyrgyz Republic qualifies for deductions under this Article, the deductions shall be allowed for each full month during which the taxpayer was a resident in the Kyrgyz Republic.

Article 77. Deduction for the expense of interest payment for debt
liability

1. A deduction from the aggregate annual income is allowed on a debt obligation for the interest paid for the development and implementation of a taxpayer's business.
2. The deduction of interest paid on a debt agreement must not exceed the amount of the debt payable in the current tax year multiplied by a rate equal to 150% of the refinancing rate set by the National Bank of the Kyrgyz Republic at the moment of debt occurrence and multiplied by inflation rate in the period from the moment of debt occurrence up to the moment of debt recovery.

Article 78. Deductions for scientific research, experiments and
designing and exploration expenditures

1. Research, experiments, designing and development expenses relating to the acquisition of income shall be deductible.
2. No deduction is allowed under item 1 of the present Article for the cost of acquisition and installation of capital assets.

Article 79. Allocations to reserves

No deduction from aggregate annual income of a physical person is allowed for allocations to any reserve except reserves established in conjunction with a taxpayer's business.

Article 80. Depreciation charges for capital goods.

1. Depreciation charges for capital goods used in production shall be deductible in accordance with the conditions of the present Article.
2. The following are not depreciable capital goods:
 - 1) land;
 - 2) inventory;
 - 3) property the cost of which is fully included in the cost of the finished goods, work done, services provided in the current taxable year;
 - 4) capital assets, which are not involved in servicing the process of production, storage, sale and ensuring safe conditions for work and environment.

3. Depreciable capital assets are classified into five categories with depreciation rates as follows:

Assets category Depreciation rate limit:

(1) automobiles, tractors for use on the road, special tools, equipment and accessories; computers, peripheral and data processing equipment up to 30%;

(2) automotive fleets, trucks, buses, special automobiles, and trailers. Construction equipment. Machines and equipment for all branches of manufacturing and foundries; press forging equipment; electronic equipment; agricultural machines and equipment. Office furniture up to 25%;

(3) depreciable assets not included in another category up to 20%;

(4) railroad, sea and river transportation means. Power machines and equipment; power engineering equipment, turbine equipment, electric engines and diesel generators; Power transmission and communication devices; pipelines up to 10%;

(5) buildings, facilities and structures up to 10%.

4. The depreciation deduction for the assets in each category is computed by applying the rate of depreciation specified in item 3 of this Article against the balance-sheet value of the category at the end of the tax year. The taxpayer may elect to apply smaller depreciation percentages than those specified in item 3.

5. For buildings, facilities and structures (hereinafter "structures"), depreciation shall be computed for each structure individually.

6. The balance-sheet value of the categories at the end of the tax year is computed as follows:

(1) the balance-sheet value of the categories at the end of the preceding tax year;

minus

(2) the depreciation deduction for the categories for the preceding tax year and the amounts deducted under item 8 of this Article;

plus

(3) the change due to inflation in the value of assets in the categories under Article 31 of the present Code;

plus

(4) the costs of any capital goods added to the categories during the tax year;

minus

(5) the sales price of any capital goods disposed of during the tax year.

7. If the balance-sheet value at the end of the year is less than zero, the taxpayer must include in aggregate annual income the negative amount, and the balance-sheet value of the category at the end of the year is zero.

8. If the balance-sheet value of a category at the end of the tax year is less than 45 minimum monthly wages, a deduction is allowed for the amount of the balance-sheet value of the category at the end of the year.

9. If all the capital assets in a category have been disposed of, transferred to another person or liquidated, a deduction is allowed for the balance-sheet value of the category at the end of the tax year adjusted for depreciation.

10. The Government of the Kyrgyz Republic in agreement with the Jogorku Kenesh of the Kyrgyz Republic are authorised to establish the rates of accelerated depreciation of certain types of capital goods.

Article 81. Deductions with respect to the cost of current repairs

1. A deduction for expenses on current (non-capital) repairs and improvements to capital assets is allowed in respect of each category (within the rates of depreciation - here and after) set out in Article 80.

2. The deduction for repairs and improvements under item 1 of this Article for every tax year is limited to 5 percent of the balance-sheet value of the category at the end of the preceding tax year.

3. The excess, of the cost of repairs and improvements over the limit stipulated in item 2 of this Article, is treated as the cost of a capital asset added to the category during the tax year, and shall increase the balance-sheet value of the category under item 6 of Article 80.

Article 82. Deductions of expenses incurred in extraction of natural resources

1. The expenses incurred by a taxpayer on geological exploration work including expenses incurred by the taxpayer to do scientific research with regards to exploring, developing, or exploiting natural resources are considered as the purchase of a capital asset, and a deduction as depreciation is computed at the rate for capital assets of category 2 (as defined in item 3 of Article 80), and shall form a separate category of assets.

2. Preparatory work with the aim of further extraction of the natural resources is treated as the purchase of a capital asset, and a deduction from annual aggregate income as depreciation is computed at the rate for capital assets of category 2 (as defined in item 3 of Article 80) and shall form a separate category of assets.

Article 83. Expenses with regards to intangible assets.

1. The cost of acquiring or producing an intangible asset is treated as the purchase of a capital asset, and a depreciation deduction is computed at the rate for capital assets of category 2 as defined in item 3 of Article 80.

2. Item 1 of the present Article is only applied to intangible assets with the useful life of more than a calendar year. This item is not applied to financial assets.

3. The cost of an intangible asset does not include the acquisition or production costs to the extent that they have been subtracted in calculating the taxpayer's taxable income.

Article 84. Contributions to the Social Fund of the Government of
the Kyrgyz Republic

The aggregate annual income of a physical person shall be reduced by the amount of contribution to the Social Fund of the Government of the Kyrgyz Republic at the rates of deduction.

Article 85. Losses on the disposal of securities.

1. A loss arising from the disposal of securities shall only be offset against gains realized on the disposal of other securities.

2. If losses referred to in item 1 of this Article cannot be offset in the year in which they occurred, they shall be carried forward in the five succeeding years.

Article 86. Carrying forward of operating losses

1. Losses from economic activity (aggregate annual income less allowable deductions) shall be carried forward to each of the succeeding five taxable years the same amount each year.

2. In this case this is the amount by which the aggregate annual income is reduced in the appropriate year.

Article 87. Expenses related to investments and economic activity
which are nondeductible from aggregate annual income

1. For the purposes of calculation of aggregate annual income the following expenses are non-deductible:

(1) expenses related to the acquisition and installation of capital assets and other capital expenses;

(2) fines and interest payable to the budget;

(3) taxes payable under this Code;

(4) any expense incurred for the spouse or other member of a taxpayer's family, for partners in economic activity and any other persons, except when it is confirmed that the given expenses were actually effected for the purpose of payment for services rendered and arose from work necessity;

(5) expenses to acquire, manage, or conserve any property the income from which is exempt from tax under this Code;

(6) any loss resulting from the sale or exchange of property, directly or indirectly, by the taxpayer to either a member of the taxpayer's family or to a partner in an economic activity;

(7) expenses for which the nature and amount cannot be substantiated by records maintained by the taxpayer (receipts, payment orders, etc.).

2. The taxpayer is not entitled to a deduction of his personal and domestic accommodation expenses from his aggregate annual income except as otherwise provided by this Code.

Chapter 15
Non-taxable income

Article 88. Non-taxable income

1. The following kinds of income are exempt income:

1) the value of property acquired by inheritance, gift, by one physical person from another, or through humanitarian aid, except:

(1) property received as payment for work,

(2) property received in exchange for the fulfillment of an obligation or rendering a service;

2) alimony payable as child support received under the current law;

- 3) any gain resulting from the transfer of property between spouses, or the transfer of property between former spouses incidental to their divorce;
 - 4) proceeds of life insurance policies payable by reason of the death of the insured;
 - 5) indemnification for work and out of work accidents;
 - 6) compensation for injury payable pursuant to health or disability insurance;
 - 7) income of physical persons from the sale of personal livestock, and poultry, whether sold alive or as food;
 - 8) income from the sale of honey when harvested by the taxpayer from hives owned by him, or from the sale of fruits, vegetables or other fruit plants originating in the personal garden of the taxpayer, where the presence of a personal garden is documented by a certificate from the local authorities, provided that such personal gardens do not include any lands provided to farmers in the established order or holdings provided to physical persons pursuant to a lease;
 - 9) subsidies, compensations, pensions, allowances, stipends and transfers received from the Government of the Kyrgyz Republic;
 - 10) interest and gains on bank deposits and on Government treasury notes, dividends on securities;
 - 11) compensation received for various types of donor activity, for supplying breast milk, as well as compensation received by medical staff for arranging blood collection;
 - 12) income, other than the income received from economic activity, of invalids and participants of the Civil and Great Patriotic wars, military men who participated in the war in Afghanistan and other countries under international agreements, spouses of the military men perished in the Civil and Great Patriotic Wars;
 - 13) cost of accommodation in recreation establishments and sanatoria or health resorts as well as recreation camps for children;
 - 14) income received by officers of the Home Affairs Ministry, National Security Ministry and Defense Ministry in the form of money compensation paid for military ranks and long service;
 - 15) amounts of material assistance granted to employees to compensate material damage suffered as a result of a natural disaster, fire or illness, and in case of death of an employee or his close relations.
2. The aggregate annual income of physical persons shall be reduced by the amount of donations of property, including money, to non-commercial organizations, engaged in charitable activities. The preference allowed in this item shall not exceed 2 percent of the taxpayer's taxable income.
3. The aggregate annual income of a physical person does not include any gain from the sale, exchange, or other disposition of movable and immovable assets owned by the taxpayer.

Chapter 16 Tax rates

Article 89. Income tax rates for physical persons

The taxable income of a physical person except interest and dividend income is subject to tax at the source of income at the following rates which depend on the aggregate income received in a calendar year:

- (1) less than 5 minimum annual incomes 5% of the income;
- (2) from 5 up to 15 minimum annual incomes tax amount payable on 5 minimum annual incomes plus 10% of the amount exceeding minimum annual incomes;
- (3) from 15 minimum annual incomes up to 25 minimum annual incomes tax amount payable on 15 minimum annual incomes + 15% of the amount exceeding 15 minimum annual incomes;
- (4) from 25 minimum annual incomes up to 35 minimum annual incomes tax amount payable on 25 minimum annual incomes + 20% of the amount exceeding 25 minimum annual incomes;
- (5) 35 minimum annual incomes up to 45 minimum annual incomes tax amount payable on 35 minimum annual incomes + 30% of the amount exceeding 35 minimum annual incomes;
- (6) 45 minimum annual incomes and more tax amount payable on 45 minimum annual incomes + 40% of the amount exceeding 45 minimum annual incomes.

Article 90. (Deleted)

PART IV TAX ON PROFITS OF LEGAL PERSONS

Chapter 17 General provisions

Article 91. Profits Tax Payers

1. Payers of the profits tax are:
 - (1) all legal persons residents which carry out economic activity and gain profit from a source of income both in the Kyrgyz Republic and outside it;
 - (2) all non-resident legal persons which carry out business activity within the Kyrgyz Republic as part of a permanent establishment and gain profit from a source of income in the Kyrgyz Republic.
2. A legal person shall be subject to taxation separately from its founders.
3. Profit received from a simple partnership (or a consortium) shall be treated as profit of the participants and taxed to the participants.

Article 92. Object of Taxation

The object of taxation shall be profit, calculated as the difference between aggregate annual income and deductions allowed under the present Code.

Chapter 18 Aggregate annual income

Article 93. Aggregate Annual Income

1. The aggregate annual income shall comprise all types of income, both monetary and in kind, as well as works and services, including:
 - (1) gross income from the disposal of goods (works, services);
 - (2) gross income from the disposal of assets that are not subject to depreciation, their value having been adjusted for inflation;
 - (3) as well as income:
 - a) interest income, other than interest income previously taxed at the source in the Kyrgyz Republic;
 - b) dividends other than a dividend payment previously taxed at the source in the Kyrgyz Republic;
 - c) proceeds of insurance policies;
 - d) property and monetary means received without compensation, except object of social and cultural character, housing and public utilities, roads, electric power grid, substations, boiler houses, heat supply systems, thermo power stations, water inlets, mining equipment and other similar objects transferred without compensation, provided there is a resolution of the Government of the Kyrgyz Republic to this effect, to government bodies of the Kyrgyz Republic (or on their resolution to specialized organizations using such objects for the appropriate purpose and local self-government bodies, as well as fixed assets, intangible assets, other assets and money (invested in the development of the production and non-production base of their own) transferred without compensation to (given there is a Kyrgyz Republic Government resolution to this effect) enterprises and organizations by the government and local self government bodies;
 - e) gross earnings from leasing property;
 - f) income received from the disposal or transfer of intangible assets (non-property rights) to another person;
 - g) subsidies;
 - h) amounts received as consideration for agreeing to restrict entrepreneurial activity or to close an enterprise;
 - i) income arising from writing off and reduction of the legal person's debts to other persons;
 - j) amounts received from the sale of depreciated assets;
 - k) negative amounts of balance sheet value of depreciable assets at the end of the year under item 7 of Article 97 of this Code.
2. The aggregate annual income of a resident taxpayer consists of income received by a taxpayer in the Kyrgyz Republic and outside of the Kyrgyz Republic.
3. The aggregate annual income of a non-resident taxpayer consists of income received from sources in the Kyrgyz Republic.
4. Aggregate annual income includes amounts transferred to a third party as:
 - (1) a mutual clearing of debts;
 - (2) a settlement of direct or indirect expenses.
5. Amounts arising from revaluation of inventories shall not be included in the aggregate annual income.

Chapter 19 Deductions from the aggregate annual income made for the purpose of calculating taxable profit

Article 94. Expenses of deriving income

1. Deduction from the aggregate annual income of legal persons is allowed for the following expenses incurred in connection with producing income:

- 1) amounts paid for the remuneration of labour;
- 2) amounts granted as material and social benefits to employees;
- 3) all other operational expenses in connection with the production of income.

2. Traveling expenses are only deductible at the amount of actual expenses certified by the filed documents (except daily allowance). Where there are no documents available - at the amount fixed by the Government of the Kyrgyz Republic.

3. Amounts transferred to institutions, organizations and enterprises of education, science, culture, sport and health care to cover capital expenses in accordance with the approved estimate of expenses in the established order.

Article 95. Deduction of interest paid on a credit

1. A deduction is allowed from aggregate annual income for interest paid on a credit incurred in connection with development and carrying out economic activity.

2. The deduction amount is computed by the amount of the credit to be repaid in the current year multiplied by a rate equal to 150% of the discount rate set by the National Bank of the Kyrgyz Republic at the time of debt occurrence.

3. The deduction allowed shall not exceed the sum of the taxpayer's interest income, plus 50 percent of the taxpayer's taxable income, computed without including the taxpayer's interest income.

4. Any interest income not allowed as a deduction by reason of item 3 of this Article shall be treated as interest income taxable in the next taxable year.

Article 96. Deductions for scientific research, experiments, designing and exploration expenditures

1. Research, experiments, designing and exploration expenses related to the acquisition of profit shall be deductible.

2. No deduction is allowed under item 1 for the cost of acquisition or installation of capital assets.

Article 97. Depreciation charges

1. Depreciation charges for capital assets used in production and subject to wear and tear shall be deductible in accordance with the conditions of the present Article.

2. The following are not depreciable capital goods:

(1) land;

(2) inventory; or

(3) property the cost of which is fully included in the cost of finished goods, works fulfilled and services provided in the current taxable year.

3. Depreciable capital goods are classified into five categories with the following depreciation rates:

Property category Depreciation rate limit

(1) Automobiles; taxis; tractors for use on the road; special tools, equipment and accessories; computers, peripheral and data processing equipment up to 30%;

(2) Automotive fleets: trucks; buses; special automobiles, and trailers. Construction equipment. Machines and equipment for all branches of manufacturing and foundries; press forging equipment; electronic equipment; agricultural machines and equipment. Office furniture. Geological exploration and development expenses; intangible assets up to 25%;

(3) Depreciable assets and expenses of the same status not included in another category up to 20%;

(4) Railroad, sea and river transportation equipment. Power machines and equipment; power engineering equipment, turbine equipment, electric engines and diesel generators; Power transmission and communication devices; pipelines up to 10%;

(5) Buildings, facilities and structures up to 10%.

4. The depreciation deduction for the assets in each category is computed by applying the rate of depreciation specified in item 3 of this Article against the balance-sheet value of the category at the end of the tax year. The taxpayer may elect to apply smaller depreciation percentages than those specified in item 3.

5. For buildings, facilities and structures (hereinafter "structures"), depreciation shall be computed for each structure individually. If as a result of depreciation the balance-sheet value of a structure is less than 45 minimum monthly wages, the depreciation deduction for that structure for the current tax year is equal to the residual balance-sheet value.

6. The balance-sheet value of a category at the end of the tax year is computed as follows:

(1) the balance-sheet value of the category at the end of the preceding tax year;

minus

(2) the depreciation deduction for the category for the preceding tax year and the amounts deducted under item 8 of this Article;

plus

(3) the increase in the value of assets in the category as a result of inflation adjustment;

plus

(4) the cost of capital goods added to the category during the tax year;

minus

(5) the sales price of any capital goods disposed of during the tax year.

7. If the balance-sheet value at the end of the year is less than zero, it equates to zero (the taxpayer must include in aggregate annual income the negative amount).

8. If the balance-sheet value of the category at the end of the tax year is less than 45 minimum monthly wages, a deduction is allowed for the amount of the balance-sheet value of the category.

9. If all the capital assets in a category have been disposed of, transferred to another person or liquidated, a deduction is allowed for the computed amount of depreciation at the end of the tax year.

10. The Government of the Kyrgyz Republic in agreement with the Jogorku Kenesh of the Kyrgyz Republic is authorised to establish rates of accelerated depreciation for certain types of capital goods and for specific sectors.

Article 98. Deductions for current repairs expenses

1. Deductions for expenses on current repairs and improvements to capital assets are calculated for each category set out in Article 97 of the present Code.

2. Deductions for non-capital repairs under item 1 of this Article for each tax year is limited to 5 percent of the balance-sheet value of the category at the end of the preceding tax year.

3. The excess, over the limit stipulated in item 2 of this Article is treated as the cost of a capital asset added to the category during the tax year, and shall increase the balance-sheet value of the category under item 6 of Article 97 of this Code.

Article 99. Expenses incurred in connection with extraction of natural resources

The expenses incurred by a taxpayer on geological exploration work, (including expenses incurred by the taxpayer to acquire the rights to explore, develop, or exploit the natural resources) and in preparatory work for the extraction of natural resources are treated as the purchase of a capital asset, and a deduction as depreciation is computed at the rate for capital assets of category 2 (as defined in item 3 of Article 97 of this Code).

Article 100. Deduction of expenses incurred in acquiring or producing intangible assets

1. The costs of acquiring or producing an intangible asset by a taxpayer are treated as the purchase of a capital asset, and a depreciation deduction is computed at the rate for capital assets of category 2 (as defined in item 3 of Article 97).

2. Item 1 of this Article only applies to intangible assets which may be utilized for a period of more than one calendar year, but does not include financial assets.

3. The cost of an intangible asset does not include acquisition or production costs to the extent that they have been subtracted in calculating the taxpayer's taxable profit.

Article 101. Deduction to the Social Fund of the Government of the Kyrgyz Republic

Aggregate annual income of a legal person is reduced by the amount of payment made to the Social Fund of the Government of the Kyrgyz Republic at the fixed rate.

Article 102. Losses on the disposal of securities

1. A loss arising from the disposal of securities shall be offset against gains realized upon the disposal of other securities.

2. If losses referred to in item 1 of this Article cannot be offset in the year in which they occurred, they shall be carried forward and offset against gains realized upon the disposal of securities in the five successive years.

Article 103. Carrying forward of losses incurred in connection with economic activity

1. The amount by which the deductions made by a taxpayer exceed his aggregate annual income shall be evenly carried forward to each of the successive five years as a deduction from aggregate annual income in an appropriate year.

2. The amount by which deductions exceed the aggregate annual income of a taxpayer is the total amount of losses minus the difference between the deduction amount in the year when the losses occurred and those in the tax year.

Article 104. Loss reserves for banks

1. Any bank established and operated under the laws of the Kyrgyz Republic may establish a reserve to which all losses are charged.

2. The amount of the reserve shall be based on the experience of the leading banks of the world and of other international financial institutions and shall not exceed 10 percent of the loans outstanding.

3. A bank shall be entitled to deductions for losses on bad loans (in accordance with the reports filed with the National Bank of the Kyrgyz Republic) and for the amount of the increase in the reserve of banking losses in accordance with item 1 of this Article.

4. A bank shall include in its aggregate annual income the amount of reduction in the reserve of banking losses in accordance with item 1 of this Article.

Article 105. Expenses not subject to deduction from aggregate annual income

Not subject to deduction from aggregate annual income are:

(1) expenses incurred in connection with the acquisition and installation of capital assets and other expenses of a capital character;

(2) fines and interest payable to the budget;

(3) taxes payable under this Code;

(4) 50% of expenses related to the construction, operation and maintenance of objects used for social purposes, not used in the economic activities;

(5) expenses of a taxpayer or members of his family, relatives and other relations to his family that are not connected with carrying out economic activity;

(6) any profits tax liability payable under this Code; or

(7) any expenditures incurred for a spouse or other member of the taxpayer's family, for partners in an economic activity, or for any other persons except when it is confirmed that the given expenses were actually effected for the purpose of payment for services rendered and arose from work necessity;

(8) expenses to acquire, manage, or conserve any property the income from which is exempt from tax under the provisions of this Code;

(9) any loss resulting from the sale or exchange of property, directly or indirectly, by the taxpayer to a member of the taxpayer's family / to a partner in an economic activity;

(10). expenses for which the nature and amount cannot be substantiated by the documents maintained by the taxpayer (receipts, payment orders, etc.).

Chapter 20 Rates of tax

Article 106. Rates of Tax on the profits of legal persons

1. The taxable profit of legal persons shall be taxed at the rate of 30 percent.

2. Profits of society of deaf and blind shall be taxed at zero rate, provided deaf and blind comprise no less than 70% of the total amount of the employed.

3. The taxable income of legal persons for which land is the principal productive asset shall be only liable to pay land tax.

Article 107. Rate of tax on dividends

1. Dividends paid to legal persons shall be subject to a tax withheld at the source of income at the rate of 5 percent.
2. Dividends previously taxed at source in the Kyrgyz Republic shall not be included in the taxable amount of dividends of the recipient, provided there are documents certifying the fact that the tax was withheld at the source.

Article 108. Rate of tax on interest

1. Interest paid to legal persons shall be subject to a 5 percent tax withheld at the source of income.
2. Item 1 of this Article shall not apply to interest paid to resident banks, or gained by them from possession of government securities.
3. Interest previously taxed at source in the Kyrgyz Republic shall not be included in the taxable amount of interest of the recipient, provided there are documents certifying payment of the tax at the source of income.

Article 109. Rate of tax on income of non-residents that are not connected with a permanent establishment in the Kyrgyz Republic

1. Income of a non-resident not connected with a permanent establishment in the Kyrgyz Republic shall be subject to a tax payable at the source without deductions according to the following rates:
 - (1) dividends and interest - 15%;
 - (2) insurance premiums paid on policies insuring or reinsuring risks - 5%;
 - (3) telecommunications or transport services for international communication or transportation between the Kyrgyz Republic and other states - 5%;
 - (4) royalties; earnings from rendering services, including services in management, consulting services; income related to leasing; and other kinds of income - 30%.

Article 110. Additional tax on exported income of a permanent establishment of a foreign legal person

In addition to profits tax a permanent establishment of a non-resident legal person shall be subject to a tax on income of this permanent establishment exported from the Kyrgyz Republic at the rate of 15 percent.

Article 111. Peculiarities of taxing gaming business

Receipts of video saloons, from showing video-films, from hire of video- and audiocassettes and recording, coin operated gaming machines with cash gains as well as from concerts and shows held for the public at open concert grounds, stadiums, sports palaces and other premises seating more two thousand spectators are taxable at the rate of 70%.

Chapter 21 Tax preferences and special provisions

Article 112. Exemptions from tax

1. Voluntary organizations with respect to the income arising from their charity activities, are exempt from profits tax (profits from other types of activity are taxable in the established order).
2. Registered enterprises with foreign capital invested in them (joint ventures) shall pay profits tax under the Law of the Kyrgyz Republic "On foreign investments".

Article 113. Investment funds

1. Gains made by an investment fund, that is registered and whose activity is licensed, on the disposal of investments in shares and securities of a resident legal person are exempt from tax to the extent of the amount of the gains that the investment fund distributes to its member. Item 1 of the present Article applies to a fund that:

- 1) has a license of the Executive Board of the National Commission of the Kyrgyz Republic on Securities Market authorizing securities transactions;
- 2) derives at least 70 percent of its aggregate annual income during the tax year as interest, from investments, as gains from the disposal of securities or other income derived from its business of investing in securities;
- 3) at the close of each calendar quarter during the tax year, has no more than 50 percent of its total assets invested, in aggregate, in cash and on the settlement account;
- 4) possesses no more than 10% of the capital assets invested in securities issued by any legal person;
- 5) possesses no more than 25% of the ordinary portfolio of stocks issued by any legal person.

Article 114. Treatment of insurance companies

1. In the case of any legal person whose principal activity is the insurance or reinsurance of life, health, property or other types of insurance, the tax shall be an amount of 30% of the profit.
2. For a legal person described in item 1 of this Article, all activities other than insurance shall be treated as the activities of a legal person that is not an insurance company, and will be taxed under the provisions of this Code.

Article 115. Current payments of profits tax

1. Legal persons gaining profits shall be liable to make regular monthly payments to the budget, except for the tax amount withheld at the source of income, on or before the 20th day of each month at the rate determined by Article 106 of the present Code and applied against the financial result for the previous month.
2. The current payments of profits tax shall be first of all offset against the profits tax assessed to the taxpayer for the current tax year.

PART V VALUE ADDED TAX

Chapter 22 General provisions

Article 116. Value Added Tax and its Administration

1. Tax on added value (hereafter called VAT) is a form of withdrawal to the Budget of a proportion of the value of all taxable supplies made in the territory of the Kyrgyz Republic including taxable import supplies to the Kyrgyz Republic.
 2. The administration of VAT shall be carried out:
 - a) with regards to taxable supplies - by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic;
 - b) with regards to imported goods - by the State Customs Committee of the Kyrgyz Republic.
 3. The State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic shall elaborate and publish instructions on the administration of VAT on supplies within the Kyrgyz Republic. The State Customs Committee under the Government of the Kyrgyz Republic shall elaborate and publish instructions on the administration of VAT on goods imported to the Kyrgyz Republic.
 4. Instructions on administration of VAT on taxable supplies shall be issued by the Ministry of Finance of the Kyrgyz Republic, on imports - by the State Customs Committee of the Kyrgyz Republic and approved by the Government of the Kyrgyz Republic.
- These instructions shall be brought to the notice of taxpayers by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic and the State Customs Committee of the Kyrgyz Republic.

Article 117. Objects of taxation

Value Added Tax is charged on:

- (1) taxable supplies;
- (2) taxable imports.

Article 118. Regulating supplies upon transition to the new VAT

This Part of the Tax Law covers the supplies made after the Law comes into effect.

Chapter 23 Payment of VAT

Article 119. Rate of VAT

The payment of VAT is made at the rate of 20% and applies to the taxable value of taxable supplies and taxable imports of goods other than excise tax and taxation at the zero rate of VAT in accordance with Article 149 of this Code.

Article 120. VAT calculation procedure

The amount of tax liable to be paid to the Budget shall be defined as the difference between the amount of tax payable in respect of all taxable supplies made during the tax period and the amount of tax on material resources subject to credit for the same VAT period.

Article 121. VAT crediting procedure

1. Taxable subjects on VAT payment to the Budget are allowed to credit the amount of VAT paid or payable on acquired material resources being used for business purposes to produce taxable supplies. The amounts of VAT paid or payable on acquired material resources, being used for the production of goods, performance of works and rendering services exempt from VAT, are not subject to credit.

2. Except as otherwise provided by the provisions of this law VAT paid on acquired material resources, works and services is subject to credit in respect of:

(1) all taxable supplies of goods, works and services made to the taxable subjects during the VAT tax period by other taxable subjects;

(2) all taxable imports of goods made by a taxable subject during the VAT tax period, where those taxable supplies of goods, services and works and taxable imports are used or are to be used for the purpose of taxable supplies by the taxable subjects only.

3. The tax subject to credit for VAT tax period also includes the total amount of value added tax paid to other CIS Member States in respect of:

(1) all imports of taxable goods, made by the taxable subject during the VAT tax period from other CIS Member States;

(2) all supplies of works and services made to the taxable subjects during the VAT tax period by subjects from other CIS Member States, where those imports of goods or supplies of works or services are used or are to be used for the purpose of taxable supplies, works and services are made or are to be made by the taxable subject.

4. In case of excess of the amount of tax assessed in accordance with Article 120 of this Tax Code, the occurring difference is subject to credit in accordance with Article 125 of this Tax Code.

5. Tax on acquired material resources is not subject to credit when supplies of goods, works and services or imports of goods are used exclusively for other than business purposes.

6. Tax on acquired material resources is not subject to credit in respect of a supply of entertainment or of the use of any operation facility for entertainment purposes.

7. Point (5) does not apply to taxable subjects who conduct business in the provision of entertainment in accordance with the Charter.

8. When paying VAT to the budget, taxable subjects are allowed a credit in the fixed amount of 10 % of the value of acquired material resources and for raw cotton - 12% of its value in accordance with Article 139 of the Code and used in production for the purposes of making supplies.

Article 122. Apportionment of tax on acquired material resources

1. When a taxable subject makes both taxable and exempt supplies the tax on acquired material resources subject to credit shall be calculated in accordance with the following 2 methods:

1 - method:

- to calculate the amount of tax on acquired material resources used exclusively for the production of taxable supplies. This amount of tax is subject to credit;

- to calculate the amount of tax on acquired material resources used only for production of exempt supplies. This amount is not subject to credit;

- the remaining non-attributable portion of VAT subject to credit shall be calculated according to the following formula:

A

amount of non attributable VAT x ----- = amount subject to credit,
A + B

where:

A - is the total value of taxable supplies;

B - is the total value of exempt supplies made for the same period.

2 - method:

If the value of exempt supplies does not exceed 5% of the total value of supplies or an amount of 15 minimum monthly wages (whichever is the lesser) for a VAT tax period, the amount of VAT paid on acquired material resources is subject to credit in full.

2. If acquired material resources are partially used or shall be used by a taxable subject for economic activity, the amount of tax subject to credit is the amount of VAT paid or payable for acquired material resources which is calculated on the basis of the share of material resources acquired for production of taxable supplies.

Article 123. Accounting for VAT liability and term of payment

1. When calculating tax the accounting tax period is considered to be one calendar month. Taxpayers shall assess the amount of VAT themselves in accordance with Article 120 of this Tax Law and not later than 2 months after the end of the VAT tax period submit VAT calculations to the tax authorities in accordance with the stipulated form. When supplying goods, connected to agricultural production, VAT shall be paid at the time of actual payment for the supply but not later than within 10 months after the day of the supply.

2. A taxable subject is required to include in a typical calculation of VAT payable:

(1) taxable supplies made by taxable subjects during the tax period;

(2) amount of tax on acquired material resources subject to credit on the basis of VAT invoices (bills of lading) received during the tax period;

(3) amount of tax subject to credit in respect of taxable imports paid or payable to the Budget during the tax period.

3. Where the taxable subject cannot get the payment in full amount or receives the consideration for a taxable supply partially, and this supply is treated as "bad debt" then:

(1) a taxable subject can claim the amount of the tax subject to credit in any VAT tax period that begins at least 12 months after the end of the VAT tax period in which VAT was charged in respect of the supply;

(2) the amount of tax subject to credit is the amount of VAT chargeable in accordance with Article 119 in respect of the supply that relates to the undischarged amount of bad debt.

4. Where a taxable subject receives a payment after the amount of tax has been allowed as a credit for the bad debt under point 3, that payment made by the purchaser upon receiving a credit for the VAT amount by the taxable subject, a further taxable supply is considered from the time when the payment is received.

Article 124. Entitlement to tax subject to credit

1. In order to be entitled to tax subject to credit in respect of any supply or import of acquired material resources, taxable subjects are required to produce evidence that:

(1) goods and services have been supplied to the taxable subject or imported by the taxable subject;

(2) a taxable subject was issued a VAT invoice in respect of this supply or he paid the tax.

Article 125. Crediting procedure of the excess amount of tax

subject to credit

If the tax charged to a taxable person and subject to credit exceeds the tax on supplies for a VAT period under Article 121 of this Tax Law, the excess tax subject to credit is carried forward to the subsequent VAT tax period.

Article 126. The procedure of accounting for excess VAT amount

In the event that the taxable subject owes tax to the Budget in respect of other tax liabilities, the excess VAT subject to credit under Article 125 may be offset against other tax liabilities.

Article 127. Taxable subjects

A subject is a taxable subject if the subject is, or is required to be, registered for VAT in accordance with Article 128 of this Code.

Article 128. Registration requirements

1. A subject conducting economic activity is required to be registered if, during a period of 12 calendar months, the subject has made taxable supplies other than supplies which are exempt under Article 138, the total turnover for which exceeded the registration limit set by the Government of the Kyrgyz Republic. A subject is also required to be registered if, during a period of less than 12 months, the total turnover of taxable supplies and taxable imports of goods exceeded the required registration limit. The taxable subject is required to get registered within one month after the end of the period during which the limit was exceeded. The registration will take effect on the 1st day of the second month after the submission of the VAT registration form.

2. The registration limit shall be set by the Government of the Kyrgyz Republic on a proposal of the Ministry of Finance of the Kyrgyz Republic.

3. A subject who is not required to be registered may register for VAT voluntarily if he makes supplies, other than exempt supplies listed in Article 138 to the registered subjects. In this case all requirements of this Tax Code apply to this subject as if he were required to be registered and the period of such registration shall not be less than 2 years or until the business ceases whichever is the earlier.

4. A subject who is engaged in setting up a business and intends to make taxable supplies is allowed to register for VAT in advance of making any supply. The registration will be reviewed annually by the State Tax Inspectorate under the Ministry of Finance and will be cancelled if the intention to make supplies no longer exists. No refund of excess tax subject to credit will be made by the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic under Article 159, if no supplies have been made during six consecutive months.

All the requirements of this Part of the Code apply to the subjects who are required to be registered and as well to those who applied for voluntary registration.

Article 129. Registration of VAT taxpayers

1. Upon registering a subject for VAT the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic is required to issue a certificate of registration that states:

- (a) the name and legal address of a taxable subject and other necessary information;
- (b) the date from which registration takes effect;
- (c) the tax identification number of the taxpayer.

2. The State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic may register a subject for VAT if the subject has not applied to be registered provided the State Tax Inspectorate under the Ministry of Finance can prove that the subject is required to be registered.

Article 130. Cancellation of registration for VAT

1. A taxable subject is required to apply to the tax authorities to have the subject's registration cancelled, if:

- (1) the subject has ceased to make taxable supplies;
- (2) if the taxable supplies made by the subject have not exceeded the registration limit in the most recent twelve months period. This provision does not apply if the subject continues to make taxable supplies and elects to continue to be registered.

2. Cancellation of the registration takes effect:

- (1) at the time the subject ceases to require to be registered for VAT;
- (2) on the first day of the month following that in which the application for deregistration is received under Item 1(2) of this Article.

3. On deregistration the subject shall account for his tax on supplies in respect of his residual stock of raw materials, finished products and fixed assets. The value for tax is their production cost.

Chapter 25

Determination of supplies of goods, works and services

Article 131. Supplies of goods, works and services

1. A supply of electricity, gas, heating, refrigeration or air conditioning is a supply of goods.
2. A supply of works or services incidental to a supply of goods is part of the supply of goods.
3. A supply of works or services incidental to an import or export of goods is part of the import or export of goods.
4. A supply of goods incidental to the supply of works or services is part of the supply of works or services.
5. A supply of goods, works or services that involves a breach of the laws of the Kyrgyz Republic is subject to VAT in the same way as lawful supply.

Article 132. Supplies by agents and employees

1. A supply made by an agent on behalf of a subject is a supply by the subject.
2. The agent's supply of works or services to the subject is not a taxable supply by the subject.
3. A supply of works or services made by an employee to the employer by reason of the employment is not a taxable supply made by the employee.

Article 133. Transfers of rights to business

If a taxable subject supplies a business or part of a business by transfer as a going concern and the subject is taxable in respect of that business at the time of the transfer the supply is not a supply of goods, works or services for the purpose of this Part of the Code if:

- (1) the transferee is or becomes a taxable subject in respect of the business or the part of the business that is transferred immediately upon the transfer; and
- (2) the transferee carries on business as a going concern after the transfer.

Article 134. Date of tax liability

1. The date of tax liability is the date of supply. The date of supply is the date of shipment of goods, performance of works or service unless (2) or (3) of this Article apply.

(1) For goods, the date of supply is the date of shipment of the goods to the customer VAT payment is made in accordance with Article 123. If the supply is of immovable goods, the date of supply is the date on which the goods are made available to the customer.

(2) For works performed or services rendered, the date of supply is the date when all work has been completed or services have been rendered.

2. If a VAT invoice is issued, or any payment is received, before the supply is shipped, the date of tax liability is the date of issue of the VAT invoice or the date of receipt of payment, whichever is the earlier.

3. If goods, works or services are supplied on a continuing basis (for more than 1 year), the date of tax liability is the date of issue of each periodic VAT invoice or the date of receipt of each periodic payment, whichever is the earlier.

Article 135. Place of supply of goods

1. Except as otherwise provided by this Law, a supply of goods takes place where the goods are delivered or made available by the supplier or, if delivery or making available involves the goods being transported, the place where goods are when transportation starts.

2. A supply of electricity, gas, heating, refrigeration or air conditioning takes place where the supply is received.

Article 136. Place of supply of works or services

1. Except as otherwise provided by this Code, a supply of works or services takes place where the works are performed or services are rendered.

2. A supply of works or services in connection with land or immovable property takes place where the land or immovable property is.

3. A supply of works or services of or incidental to transport takes place where the transport occurs.

Article 137. Imports of goods

An import of goods takes place when crossing the Customs border of the Kyrgyz Republic in accordance with the customs legislation in force.

Chapter 26
Exempt supplies and zero-rated supplies

Article 138. Exempt supplies

A supply is an exempt supply for the purposes of this Code if it is one of the kinds of supply described in Article 139 to 146 below.

Article 139. Supplies related to land, agricultural produce and
buildings

1. A supply of residential buildings or of leases of residential accommodation is an exempt supply, with the exception of:

- (1) leases of hotel type accommodation, boarding houses and sanatoria for medical treatment and rest;
- (2) leases for parking or storing cars and other vehicles.

2. A supply of land is an exempt supply with the exception of leases for parking or storing cars or other vehicles.

3. A supply of agricultural produce by agricultural producers is a VAT exempt supply.

4. A supply by an agricultural producer of processed agricultural produce grown by this agricultural producer is a VAT exempt supply.

Article 140. Financial services

1. A supply of financial services is an exempt supply.

2. For the purpose of this Article, financial services are:

(1) operations with granting and negotiating of loans, assessment and enforcement of interests on loans, accommodation of loans, credits, credit guarantees and any security for money, including management of loans, credits or credit guarantees by the grantor;

(2) operations with deposit and current accounts and other types of accounts, payments, transfers and debt liabilities, cheques and commercial circulating means, factoring and collection;

(3) transactions related to currency, bank notes and money that are legal tender, except for gold coins and for items used only for collection;

(4) transactions related to shares, stocks, bonds and other securities, except for services of custody of securities;

(5) financial leasing and other transaction indirectly related to crediting;

(6) management of investment funds.

Article 141. Life Insurance and pension services

A supply of life insurance or of a pension, or of related services made by the supplier of the insurance or pension, including management of life insurance and pension funds, is an exempt supply. Services by brokers and agents of these institutions are also exempt supplies. However the services of assessors, adjusters, lawyers or other experts in connection with the assessment of any claim are not exempt supplies.

Article 142. Municipal transport

A supply of services by municipal, rayon (in rural areas) transport operations, except for taxis, which are associated with the conveyance of passengers within the cities, countryside and to suburban destinations and by water, rail, and motor transport is an exempt supply.

Article 143. Postal services and pension and benefit delivery
services

A supply of postal services by the Post Office and services on delivery of pensions and benefits, is an exempt supply.

Article 143-1. Supply of communal services to the population

A supply of communal services to the population (electric-energy, gas, radio, TV antenna, hot and cold water, heating, etc.) is an exempt supply.

Article 144. Privatization

A supply or transfer of the property of state enterprises by way of privatization is an exempt supply.

Article 145. Supplies by non-commercial organizations

A supply by a non-commercial organization for a consideration that does not exceed the cost of making the supply is an exempt supply if it is:

- (1) a supply of goods and services made to health care, educational, scientific, cultural and sporting organizations;
- (2) a supply of services for the social protection and welfare of children or poor old people;
- (3) a supply of services by health care, educational, scientific, cultural and sporting organizations;
- (4) a supply of services by religious or philosophical organizations with a view to spiritual welfare;
- (5) a supply of specialized goods to invalids.

Article 146. Betting and Gaming

The provision of facilities for placing bets and playing any game of chance is an exempt supply, and proceeds from this activity are subject to taxation in accordance with Article 111 of this Code.

Article 147. Exemptions from VAT on imports

1. Goods, belongings and other articles listed in item (2) of this Article and those stipulated in the customs legislation shall be exempt from VAT, if their importation to the Customs territory of the Kyrgyz Republic complies with the conditions stipulated in the provisions of the Customs legislation.

2. The following goods, belongings and other articles are exempt from VAT:

- (1) goods supplied for rendering assistance because of natural calamity, war conflicts and accidents;
- (2) goods imported as humanitarian assistance according to the procedure determined by the Government of the Kyrgyz Republic;
- (3) imported property which was earlier exported by the same importer;
- (4) property imported temporarily under a bond that it will be exported unchanged within 12 months;
- (5) wrong delivery that is being returned to the original exporter;
- (6) property in transit via the territory of the Kyrgyz Republic;
- (7) goods intended for official use by foreign officials and equated representations, and goods for the subjectal use of the members of diplomatic, administrative and technical subjects of such representations, including members of their families, and not for resale.

3. The following goods are exempt from VAT:

- (1) pharmaceuticals in accordance with the list approved by the Government of the Kyrgyz Republic.
- (2) educational supplies, school equipment and scientific publications;
- (3) baby food.

Article 148. Import of fixed assets exempt from VAT

Goods which are imported exclusively to be used as fixed assets by a taxable subject and not for supply by that subject to any other subject are exempt from VAT.

Article 149. Zero-rated supplies

A taxable supply is a zero-rated supply if it is one of the kinds of supply described in Articles 150 to 151 of the Tax Code.

Article 150. Exports

An export of goods is a zero-rated supply unless it is an export to another CIS member state.

Article 151. Diplomatic and similar privileges

1. A supply of goods and services provided to diplomatic and consular representations in the Kyrgyz Republic is a zero-rated supply.

2. A supply of goods or services to an international organization is a zero-rated supply to the extent required by relevant international agreements to which the Kyrgyz Republic is a party.

Chapter 27 Taxable value

Article 152. Taxable value of supplies

1. Except as otherwise provided by this Code, the taxable value of a supply is the total consideration paid or payable by all subjects for that supply less the VAT.

2. Where consideration is paid or payable in kind, the taxable value includes the market value of goods, works and services.

3. The taxable value of a supply also includes the total of all other fees, taxes, duties and levies payable on the supply or by reason of the supply, provided it does not include:

- (1) any state duty imposed by the Law of the Kyrgyz Republic "On State Duty";
- (2) the VAT payable on supply by reason of this Code.

Article 153. Adjustments and rebates

1. Where the consideration for a supply is adjusted after the supply is made because of an increase or decrease in the total payment made, the taxable value of the supply is adjusted accordingly.

2. Where the consideration for a supply is reduced by way of a discount or rebate made at the time of supply, the taxable value of the supply is reduced accordingly.

3. Where the consideration for a supply is reduced by way of a discount or rebate made for prompt payment, the taxable value of the supply is reduced accordingly.

Article 154. Supplies made for a consideration less than the market value

1. Where goods have been supplied to a taxable subject for the purpose of the subject's business activity, the appropriation of those goods by the subject or by members of the family or household of the subject is treated as a taxable supply by the subject.

2. The taxable value of a supply stipulated in point (1) of this Article is the cost to the subject making the supply.

3. Where goods have been supplied to a taxable subject for the subject's business activity, a supply of those goods free of charge to employees of the subject, or to other subjects who are not members of their families is treated as a taxable supply by the subject.

4. The taxable value of goods stipulated in item (3) of this Article is the cost to the subject of making the supply.

5. Where goods or services are supplied for less than the normal market consideration for mercenary purposes, the taxable value of the supply is the market value.

Article 155. Taxable value of imports

1. The taxable value of an import of goods is the customs value of those goods.

2. The taxable value of an import of goods also includes all transport, insurance and other expenses incurred in importing the goods.

Chapter 28 Vat payment, accounting and refund procedures

Article 156. VAT invoices and Records

1. Except as otherwise provided in this Law, a taxable subject making a taxable supply is required to issue to the subject receiving the supply a VAT invoice in respect of that supply.

2. A VAT invoice is an invoice issued in the form developed by the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic.

3. VAT taxpayers are required to keep and post on a regular basis all sales and purchase invoices in sales and purchase journals. The VAT figures in these journals must agree with the figures shown in VAT reports.

4. When cash sales are made from retail premises no VAT tax invoice is required provided the following conditions are met:

(1) a registered subject shall keep a cash register, book and other suitable records at each outlet in which shall be entered details of all cash received and each payment made at the time they are made and at the end of each day a balance between receipts and payments shall be struck;

(2) at the end of each day the tax chargeable on all supplies and the tax on acquired material resources shown on invoices shall be recorded in the appropriate records;

(3) where a supply of works or services has been made for cash, a tax invoice shall be issued at, or before, the time the cash is received.

5. VAT invoice for an export is required to contain:

(1) a statement that the invoice relates to an export;

(2) the destination of the export.

Article 157. VAT reports and payment of VAT

1. Every taxable subject is required to make:

(1) a VAT Report in respect of every VAT tax period; and

(2) a payment to the budget of the VAT payable in respect of that VAT tax period on or before the date on which the VAT report is due for that VAT tax period,

(3) by the time the VAT report is submitted the tax shall be paid.

2. A VAT Report is required to be made for each VAT tax period not later than 2 months after the end of the VAT tax period.

Article 158. VAT tax period

1. Except as otherwise provided in this Code, a VAT tax period is the period of one month starting on the first day of that month.

2. In the month in which a taxable subject is first registered for VAT, the VAT tax period starts on the day on which the certificate of registration is issued under Article 129.

3. In the month in which the registration of a taxable subject is cancelled, the VAT tax period starts on the first day of that month and ends on the day on which the registration is cancelled.

Article 159. VAT refund from the budget

1. If a taxable subject regularly makes supplies which are zero-rated supplies under Article 149 of this Code and the tax subject to credit therefore regularly exceeds the total amount of tax on supplies which is payable, the subject is entitled to a refund of the excess amount subject to credit within 30 days from the day when the State Tax Inspectorate under the Ministry of Finance of the Kyrgyz Republic received a correctly completed VAT Report showing the amount of the excess tax subject to credit.

2. A refund described in (1) of this Article shall not be paid until after the expiration of 6 months from the date of implementation of this VAT Code.

A refund described in (1) of this Article shall not be payable where the taxable subject has amounts of tax or penalties owed to the Budget in respect of other tax liabilities. In this case the refund amount must be offset against part of these debts to the Budget.

PART VI EXCISE TAX

Chapter 29 General provisions

Article 160. Excise taxes imposed

1. Excise taxes are hereby imposed on the production in the territory of the Kyrgyz Republic, or the importation into such territory, of goods on a list indicated in Article 162 of this Code.

2. Exports of excisable goods shall not be subject to excise tax if the producer furnishes proof of export, except exports to other CIS member states and under international treaties, to which the Kyrgyz Republic is a party.

Article 161. Payers

Except as otherwise provided in this Part of the Code all legal persons and all physical persons who produce excisable goods in the territory of the Kyrgyz Republic or who import excisable goods or who carry out gambling business in the territory of the Kyrgyz Republic shall pay excise tax to the budget.

Article 162. List of excisable goods

1. The following goods, if produced or imported into the territory of the Kyrgyz Republic shall be excisable:

- (1) ethyl alcohol for human consumption and rectified ethyl alcohol made from raw foodstuffs;
- (2) vodka;
- (3) liqueurs and vodka products;
- (4) fortified drinks, fortified juices and balsams;
- (5) wine;
- (6) cognac;
- (7) sparkling wines;
- (8) beer;
- (9) wine-making stuff;
- (10) tobacco products;
- (11) other goods containing tobacco;
- (12) jewelry made of gold, platinum or silver;
- (13) processed and non-processed fur hides (other than hides of mole, rabbit, dog, deer, or sheepskin);
- (14) wearing apparel made of natural fur including: coats, short-coats, jackets, capes, stoles, scarves, headgear, collars, fur coats, and fur pieces (other than apparel made of hides of mole, rabbit, dog, or deer, or sheepskin);
- (15) coats, short-coats, jackets and capes trimmed with fur (other than mole, rabbit, dog, deer or sheepskin);
- (16) clothes made of natural leather;
- (17) items made of crystal, lighting appliances made of crystal;
- (18) firearms and gas weapons (other than those procured for the needs of state agencies);
- (19) oil products;
- (20) coffee and cocoa;
- (21) rugs and rug articles (except rug type floor cover).

Goods listed in subitems 1-11 of this Article can be stamped by excise banderoles in the procedure and on the conditions set by the Government of the Kyrgyz Republic.

Article 163. Rates of excise tax

The rates of excise tax (taxes) shall be annually approved by the Jogorku Kenesh on the proposal of the Government of the Kyrgyz Republic and shall not be changed during the year. The rates of excise tax (excises) shall be approved as a percentage of the goods value or of quantity in kind.

Article 164. International agreements

In accordance with the international treaties to which the Kyrgyz Republic is a party, the Government of the Kyrgyz Republic may provide reciprocal settlements in respect of the supplies of goods at the excise inclusive prices.

Chapter 30

Domestic production of excisable goods

Article 165. Object of taxation

1. The object of taxation for any domestic excisable goods shall be their value, established on the basis of prices excluding excise taxes, at which the producer supplies such goods, or quantity of produced goods.

2. If the producer transfers any excisable goods as a payment in kind, as a gift, or when transferring the right of ownership of deposited goods to the depositor or in case of barter transaction the object of taxation shall be the value of goods, as determined by the prices of producer's own output net of excise, or quantity of finished goods.

3. Items (1) and (2) of this Article shall apply regardless of whether the raw materials were owned by the producer or by the customer. In respect of goods being produced out of raw materials owned by the customer excise tax is calculated when transferring goods to the customer on the basis of the prices defined in accordance with item 1 of this Article.

Article 166. Forms, methods and term of payment of excise taxes

1. Forms, methods and term of excise tax payment are established by the Government of the Kyrgyz Republic except for the goods on which excise taxes are paid when purchasing excise banderoles.
2. Term of excise tax payment shall not be extended.

Article 167. Responsibilities of taxpayers

1. Responsibility for accurate calculation and timely payment of excise taxes shall rest with the taxpayers.
2. Not later than on the 15-th day of the month following a reporting month a taxpayer is liable to file with the appropriate local tax office a monthly report showing excise taxes amount payable for each 10 days of the reporting month.

Article 168. Transfer of excise tax amounts to the budget

Excise tax amounts payable to the budget shall be transferred to the appropriate budgets by banks on the day when they receive the payment order (resolution). Banks shall be responsible in accordance with this Code for untimely transfer of excise taxes to appropriate budgets.

Article 169. Special rules

1. The calculated amount of excise taxes in respect of excisable goods shall be reduced by the cost of excise tax banderoles.
2. If the goods are manufactured out of raw materials in respect of which the excise tax was paid on the territory of the Kyrgyz Republic, the amount of excise tax chargeable on the disposed goods shall be reduced by the amount of the fraction of excise tax paid on the raw materials, that were actually used for the production of these goods in the reporting period, and by the cost of banderoles.

Chapter 31 Imports of excisable goods

Article 170. The imposition of excise tax on imported excisable goods

1. The object of taxation for imported excisable goods shall be the customs value of the goods, determined in accordance with the customs legislation of the Kyrgyz Republic or quantity in kind.
2. In case the Government of the Kyrgyz Republic introduces banderoles, the excise tax amount assessed on imported excisable goods shall be reduced by the cost of excise banderoles for the quantity of imported goods.

Article 171. Term of payment of excise taxes on imports

The excise tax on imported goods shall be paid on the date determined by the customs legislation of the Kyrgyz Republic for effecting the payment of customs duties.

Article 172. Exemption from excise taxes on imports

1. Goods imported by physical persons shall be exempted from excise taxes to the extent prescribed by the Government of the Kyrgyz Republic.
2. The imported goods listed below shall be exempted from excise taxes:
 - (1) excisable goods necessary for the operation of vehicles used for international conveyance of cargoes, baggage and passengers during the transportation process, transit stays, and those acquired abroad for the purpose of emergency repairs in cases of crash (breakage of a vehicle);
 - (2) goods having been damaged before crossing the customs border of the Kyrgyz Republic and which therefore cannot be used as goods and materials;
 - (3) goods imported as humanitarian assistance in accordance with the procedure determined by the Government of the Kyrgyz Republic;

(4) goods imported for the purposes of charity by the state, government and international agencies, including technical assistance;

(5) items confiscated or with no owner, and items claimed as inheritance by the State;

(6) goods intended for official use by foreign diplomatic and similar representations and personal use of the members of personnel of such representations, including members of their families residing with them, and exempt to the extent required by relevant international agreements to which the Kyrgyz Republic is a party;

(7) items in transit through the customs border of the Kyrgyz Republic exempted under the Customs regime established by the Customs legislation of the Kyrgyz Republic, other than "Release of goods for free circulation" regime.

PART VII LAND TAX

Article 173. Land tax

Land tax is a form of compulsory annual payment to the Republican and local budgets for the use of a plot of land.

Article 174. Objects of taxation for Land Tax

1. Objects of taxation are plots of land.

2. Subject to taxation are agricultural areas and lands:

(1) of built-up areas;

(2) used for industrial, transportation, communication and other purposes including defense;

(3) used for nature protection, rehabilitation, recreation, historic and cultural purposes;

(4) of the forestry fund;

(5) of the water fund;

(6) of the reserve.

Article 175. Payers of land tax

Payers of land tax are land users irrespective of the forms of property, where the right to use land is certified by a special document of a set format, such as "a state act, temporary certificate, legal certificate to use a land plot or a share", authorizing the right to use the land.

Article 176. Principles of imposing land tax

The amount of land tax with respect to agricultural areas shall be determined on the basis of quality (fertility) of soils, location and area of the land lot, and in respect of lands of non-agricultural use, listed in Article 174 of this Code, the amount of tax shall be determined in the same way as for the lands of agricultural use of an appropriate category, but taking into account the infrastructure and various town planning potential.

Article 177. Tax rates

1. The rates of the land tax and the payment procedure shall be established by the Government of the Kyrgyz Republic and approved by the Jogorku Kenesh of the Kyrgyz Republic.

2. The procedure and terms of land tax collection in respect of land plots provided to other states are determined by agreement between the Kyrgyz Republic and the counterpart states with further approval by the Jogorku Kenesh of the Kyrgyz Republic.

3. The tax privilege of 50 % of the set rates shall be allowed when establishing tax rates with respect to areas, referred to as areas with difficult and unfavourable natural and climatic conditions by the Government of the Kyrgyz Republic.

4. For the land of inhabited localities and agricultural land defined by the Government of the Kyrgyz Republic as mountainous and remote areas with regards to which preferences were not stipulated in accordance with item 3 of this Article, when developing land tax rates, a preference of 50% of the base rate for a specific rayon shall be established with regards to land tax.

Article 178. Tax on leased lands

Regarding lands being on lease, the land tax shall be paid by the lessor at the rates determined by Article 177 of this Code.

Article 179. Term of land tax payment

The annual amount of land tax shall be paid by a land user in the amount of 75% during the fourth quarter of the current year (on or before December 25) and 25% - during the first quarter of the next year (on or before March 25).

Article 180. Exemptions from land tax

Tax shall not be charged in respect of:

(1) lands used as reservations, natural, national and dendrological parks, botanical and zoological gardens, reserves, nature preserves, objects of historical and cultural significance, non distributed areas of the reserve, areas occupied by the tracing boundary zone, populated lands of general use, areas occupied by protective plantations, of the water and forestry funds, except those provided for agricultural use or other entrepreneurial activity;

(2) lands for cemeteries;

(3) cattle tracks and cattle stopping places;

(4) lands of enterprises, organizations and establishments, financed from the budget;

(5) lands of organizations of invalids, participants of the war and persons of a similar status and charitable organizations;

(6) lands belonging to the Society of deaf and blind;

(7) lands of enterprises, establishments, and individuals, received for agricultural purposes in a run down condition (requiring recultivation) for a period set by local keneshes.

Articles 181. Land tax preferences

1. The following categories are exempt from payment of land tax for the use of personal plots, gardening plots of the dacha communities:

(1) invalids and participants of the Civil and Great Patriotic Wars, military persons, having participated under international agreements in the wars in Afghanistan and other countries, persons having taken part in eliminating the damages caused by the Chernobyl disaster, invalids from childhood, invalids of Categories I and II and persons having been awarded honorary titles;

(2) members of the of military persons' families and employees of law enforcement bodies who perished or disappeared while performing their duties (under-age children);

(3) men and women of pension age;

(4) families having 4 and more children under-age.

2. Local keneshes are authorised to allow full or partial exemption from land tax for a certain period:

(1) to a land user, part of whose land is in protected, sanitary, coastal and water-protected zones, depending on the extent to which his economic activity is restricted;

(2) if a land user incurs material losses, as a result of natural and other calamities, for a period of 3 years.

PART VIII LOCAL TAXES AND COLLECTIONS (from April 97)

Chapter 32 Types of local taxes and collections

Article 182. Health resort tax

1. Payers of health resort tax shall be physical persons arriving in health resort areas. The list of health resort areas shall be determined by the Government of the Kyrgyz Republic.

2. Tax rate shall be determined by an Oblast Kenesh on whose territory health resorts are situated. The rate cannot exceed 5% of the minimum monthly wage established by the law.

3. The following persons shall be exempt from health resort tax:

(1) children under 18;

(2) invalids of categories I and II and people accompanying them;

(3) persons who arrive at sanatoria, rest homes and recreation centers having purchased accommodations;

(4) employees of budget supported organizations who arrive in health resort areas on a business trip, for study and for permanent residence;

(5) children coming to their parents of pension age.

4. Health resort tax shall be paid by taxpayers at the place of their temporary residence within a 3 day period from the date of their arrival. Health resort tax shall not be collected twice if a person changes his residence in the health resort area.

5. Health resort tax shall be collected by:

(1) the managing staff of hotels and other institutions of similar type during registration of the newly arrived;

(2) intermediary organizations, carrying out activity connected with provision of houses (flats) owned by local people to persons coming to health resort, when directing people to such houses (flats).

6. Persons staying in the houses (flats) owned by local people without being directed by such intermediary organizations as well as persons living in tents, cars and the like shall pay tax to the banking institutions or local keneshes.

7. Health resort tax shall be collected on the basis of receipts of the established format. Entry concerning health resort tax payment, the number of the receipt and the date of payment must be made in house registers or in residence permit cards; if a taxpayer is exempt from this tax, house registers or residence permit cards must bear an appropriate entry with the requisites of the document, confirming the right to a preference.

8. Health resort tax shall be transferred to the appropriate local budget on or before the 20-th day of a month following the reporting month and shall be channeled to health resort activity and nature protection.

Article 183. Tax on advertisements

1. Payers of this tax shall be enterprises and organizations irrespective of the form of ownership, residents and nonresidents, their branches, representations, divisions and other isolated subdivisions at where advertising takes place, and physical persons advertising their goods.

Public presentation of goods, works and services in any form, including all kinds of advertisements, notices, reports providing information for the purposes of commerce with the help of mass media (press, TV, broadcasting), catalogues, price lists, reference books, leaflets, posters, placards, booklets, advertisement screens, calendars, as well as information placed in all kinds of transport shall be considered an advertisement.

2. Taxable shall be the cost of works and services connected with production and distribution of advertisements, excluding VAT on production and distribution of advertisements, including the works performed through self-supporting activity.

3. The tax rate cannot exceed 3 per cent of the cost of advertising services.

4. Receipts of the tax paid for advertising shall be transferred to the budget of the local government at the source of income.

5. Advertising services which are not provided for commercial purposes shall not be taxable:

(1) signboards containing information on the working routine and the rules of providing services to customers;

(2) announcements and notices of the changes taking place with respect to organizations' location, telephones and other information concerning organizations;

(3) announcements of the state government bodies containing information connected with performance of their functions;

(4) warning information connected with specific character of the work carried out on this or that territory;

(5) other information and announcements which do not advertise goods or services.

6. An organization providing advertising services shall collect and transfer to the appropriate budget tax on advertisements on or before the 20-th day of each month following the reporting month.

Article 184. Fee collection from owners of dogs

1. Payers of this fee shall be physical persons having dogs in the houses of common use.

2. Owners of dogs must register them in the offices determined by the decision of the local government bodies.

The owner of a guard dog can be exempt from fee on the basis of the document, certifying the necessity of keeping the dog.

3. The rate of this fee cannot exceed 2 minimum monthly wages per head, this amount being paid to the appropriate budget once a year by April 1 of the current year.

Article 185. Fee for the right to hold local auctions and lotteries, competitions and exhibitions for commercial purposes

1. Fee shall be collected from the organizers (sellers of goods) of local auctions and lotteries at the amount not exceeding 10 per cent of the bidden goods value or of the cost of issued lottery tickets.

2. Auctions shall be considered local, if they are organized according to the decision of a local government in the territory within its jurisdiction; participants of the auctions shall be both legal and physical persons, during which auctions, competitions and exhibitions are held for commercial purposes.

3. Local lotteries shall be held by enterprises, organizations and institutions according to the decisions of Oblast governments and the government of Bishkek. Fee amounts shall be transferred to the appropriate budget by the 20th day of the month following the reporting one, during which auctions, competitions and exhibitions are held for commercial purposes.

Article 186. Fee for parking

1. Fee payers shall be legal and physical persons parking their cars in the places specially equipped for these purposes by the local state authorities. To get a permit for parking the drivers must acquire receipts of the established form.

2. The fee rate shall be established in accordance with the decision of a rayon or city kenesh depending on the extent to which the place is equipped and the period of parking, but not exceeding 3 per cent of the minimum monthly wage.

3. Fee amounts shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

Article 187. Tax for the right to use local symbolism

1. Taxpayers shall be both legal and physical persons producing goods with local symbolism applied (coats of arms, pictures of cities, localities, historical monuments) approved by the appropriate local Kenesh.

2. The tax rate cannot exceed 0.1 per cent of the sold goods value. Tax amounts shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

3. The right of utilizing local symbolism shall be provided by the local authority.

4. The tax rate can be established separately for an enterprise or a physical person with respect to each type of goods with local symbolism applied.

Article 188. Fee collected from deals at commodities and raw materials exchanges

1. Fee payers shall be legal persons, situated on the territory within the jurisdiction of the local authority, which took a decision to introduce this fee, as well as physical persons, participating in sale of goods (services) through exchanges (irrespective of the exchange location).

2. The rate of fee cannot exceed 0.1 per cent of the deal value. Fee shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

3. The procedure of making payment by the parties to a deal shall be determined by the decision of the local authority.

Article 189. Fee collected for refuse disposal from the territory of built up areas

1. Fee payers are both legal and physical persons (owners of buildings).

2. Fee amount shall be determined by local keneshes in towns and rayons, by meetings of the population of villages and settlements, proceeding from the area allotted to an enterprise and number of those employed at it (for legal persons), the size of a house and number of its inhabitants (for physical persons), but shall not exceed 25% of the minimum monthly wage. It shall be paid to the appropriate budget once a year on or before April 1 of a current year.

Article 190. Tax collected from persons growing flowers in greenhouses and selling them to the population

1. Taxpayers shall be physical persons growing flowers in greenhouses and selling them to the population.

2. The object of taxation shall be income received from sale. Tax amount shall be determined by a local kenesh, the procedure and date of a tax payment - by the local government. Tax amount shall be transferred to the local budget at where a taxpayer is located.

Article 191. Hotel tax

1. Taxpayers shall be physical persons staying at a hotel. Hotel tax shall be introduced at places where there is no health resort tax.
2. The tax rate shall be determined by a local kenesh; it must not exceed 3% of the minimum monthly wage determined by the law.

Article 192. Tax on the right to hunting and fishing

1. Taxpayers shall be physical persons who are engaged in hunting and fishing.
2. The tax rate shall be determined by local keneshes and must not exceed 30 per cent of the minimum monthly wage determined by the law.
3. The tax shall be paid when paying a membership fee to the societies of hunters and fishermen. The tax shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

Article 193. Tax collected from tourists leaving for countries
outside the CIS

1. Taxpayers shall be physical persons leaving for countries outside the CIS.
2. The tax rate shall be established by local keneshes and must not exceed 20 per cent of the minimum monthly wage stipulated by the law.
3. Tax shall be paid when receiving exit documents.
4. Tax shall be transferred to the appropriate budget by the bodies authorized to issue exit documents by the 20th day of the month following the reporting one.

Article 194. Tax collected from casino

1. Taxpayers shall be casinos.
2. The tax rate shall be established by local keneshes depending on the number of tables for gaming, coin operated gaming machines with cash gains etc.
3. Tax amount shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

Article 195. Tax on paid services to the population and retail
sales

1. Taxpayers shall be legal and physical persons.
2. The tax rate shall be established by local keneshes proceeding from the cost of services provided to the population, from retail sales turnover and cannot exceed 2 per cent.
3. Tax amount shall be transferred to the appropriate budget by the 20th day of the month following the reporting one.

Article 196. Tax paid for premises or parts of premises used for
production, trade and social purposes.

1. Taxpayers shall be legal and physical persons.
2. The tax rate shall be established by local keneshes and may be differentiated proceeding from the location of immovable property, utilities and occupied area but cannot exceed 0,4 % of an average monthly cost of such premises or part of the premises that are not utilized.
3. The procedure of tax assessment shall be determined by the Government of the Kyrgyz Republic.
4. Tax amount shall be transferred to the appropriate budget each month by the 20th day of the month following the reporting one.

Chapter 33
Tax from the owners of transport facilities

Article 197. Taxpayers

Payers of tax from the owners of transport facilities shall be the citizens of the republic, foreign persons and persons without citizenship in possession of transport facilities (cars, motor-cycles and other vehicles and mechanisms).

Article 198. Object of taxation and tax amounts

Tax from owners of transport facilities and other vehicles and mechanisms on the territory of the Republic shall be paid annually in the following amounts: -----T-----

Object of taxation	Tax amount
(in soms, tyins)	
-----+-----	-----Depending on engine power, on each horse-power: - cars
60 tyins - motor-cycles and scooters	36 tyins - lorries and other vehicles and mechanisms
1 som - motor-sledges and motor-boats (cutters and yachts)	30 tyins -----+-----

Article 199. The procedure of tax accounting, assessment and payment

1. Registration of persons - payers of tax from owners of transport facilities shall be performed on the basis of the information annually submitted by the organization of the State Motor Inspectorate prior to the tax due date.

2. The tax due date shall be established by local keneshes, but not later than June 1 of the current year.

3. Where registration, re-registration and technical inspection take place, the bodies of the State Motor Inspectorate must require that tax payment receipts be submitted by the owners of transport facilities. If these documents are not available, registration, re-registration and technical inspection shall not be performed.

Where registration, re-registration or technical inspection take place without tax payment, officials of the State Motor Inspectorate (SMI) shall be brought to administrative responsibility by the tax bodies under the Tax Code of the Kyrgyz Republic.

Non-operation of transport facilities by their owners due to disrepair or some other reasons cannot be the ground for non-payment of tax until they are stricken off the register by the SMI.

Re-assessment of an incorrectly paid tax shall be permitted for not more than two preceding years.

Article 200. Tax preferences granted to the owners of transport facilities

1. The following persons shall be exempt from payment of tax collected from the owners of transport facilities:

(1) Heroes of the Kyrgyz Republic, Heroes of the Soviet Union and of Socialist Labour, mothers-heroines, persons awarded the Order of Glory, the Order of Labour Glory of three categories, invalids of the Great Patriotic War or other persons who became invalids during active service having been wounded, contused or mutilated when defending the USSR or performing other duties of military service, or by reason of a disease caused by their being in the front, as well as other invalids who are considered to be of the same status as the above categories of military men concerning pension security;

(2) invalids in possession of motorized wheel-chairs and cars with hand steering;

2. Preference can be granted for the current year, if the right to this preference arose prior to the tax payment due date. If the right to the preference arose after the due date in the current year, the preference shall not be granted in the current year.

Chapter 34

The procedure of introducing, assessing, paying and accounting for local taxes and fees

Article 201. The procedure of introducing local taxes and fees

1. The tax stipulated in Article 182 may be introduced by the decision of rayon and city bodies of the local government - local keneshes - in the territory of the resort zone within their jurisdiction. Receipts of this tax shall be transferred to rayon and city budgets. Receipts shall be transferred in equal shares to the budgets of settlements, villages and cities within the jurisdiction of rayon authorities and to the rayon budgets of those rayons and to the oblast budgets of those Oblasts, in the territory of which a resort zone is situated.

2. Taxes and fees indicated in Articles 183-198 shall be introduced according to the decision of the rayon and city bodies of the local government - local keneshes.

Article 202. The procedure of assessment and payment of local
taxes and fees

1. The procedure of assessment and payment of local taxes and fees shall be determined by local governments.
2. These payment amounts shall be assessed on the basis of the rates established for each type of tax, fee and object of taxation.
3. The date for payment of local taxes and fees shall be determined by the local government bodies depending on the type and size of payment and the object of taxation.
Legal persons shall pay local taxes and fees through bank clearing; physical persons shall transfer cash to savings banks or other institutions which are authorized to receive payments from the population. Tax bodies are not authorized to receive such payments.
4. Local taxes and fees shall be entered in the rayon budgets of rayons and city budgets of cities according to the decision of the rayon and city bodies of local self government, to the rayon budgets of rayons (in cities), and to the village and settlement budgets.

Article 203. Accounting and reporting

1. Accounting for the assessed and paid local taxes and fees shall be performed by the bodies authorized by the state authorities to receive payments.
2. The bodies authorized to collect taxes and fees shall submit reports on the assessed and paid amounts to the koala tax inspectorates by the date fixed for submitting book-keeping reports and balance-sheets, or by another date determined by the local self government bodies.

Article 204. Duties, rights and responsibilities of taxpayers;
tax body control

1. Duties, rights and responsibilities of taxpayers and tax bodies determined by the Tax Code of the Kyrgyz Republic, by other laws of the Kyrgyz Republic and by the decisions of the local self government bodies shall be compulsory with respect to the decision on introducing local taxes and fees, taken by the local government bodies.
2. Payers of local taxes and fees shall be responsible for their full and timely payment. Penalties and fees shall be applied to them in case of violation of the Law on local taxes and fees; officials and persons guilty of violating the Law on local taxes and fees shall be made answerable in accordance with the Tax Code of the Kyrgyz Republic. If taxpayers do not make the required payment by the due date, they will be charged an interest at the amount stipulated by the law.
3. In accordance with the Code of the Kyrgyz Republic on administrative offenses, administrative fines can be applied to officials and physical persons for violating the decisions taken on the procedure of collecting certain types of local taxes and fees.
4. Tax bodies shall control the correctness, completeness and timeliness of payments of local taxes and fees and their transfer to the budget in accordance with the current laws on tax service.

Article 205. Introduction of local taxes and fees

Introduction of local taxes and fees, not stipulated by this Law, is prohibited.

Article 206. Preferences with regards to local taxes and fees

1. Preferences with regards to local taxes and fees can be established by the decisions of the local keneshes.
2. Preferences can be granted to specified categories of taxpayers (Heroes of the Kyrgyz Republic, invalids, pensioners, families having many children, families of those who perished during the Great Patriotic War and in other operations when performing the duties of military service, persons, who suffered from radiation, enterprises and organizations with 50 per cent of the staff being invalids, enterprises providing tuition, physical culture and sporting organizations, public organizations of invalids and others in accordance with the current tax law).
3. Local keneshes can establish other preferences, as well as exempt from payment of this or that local tax and fee, taking into account the financial state of certain persons, enterprises and organizations.
4. It is prohibited to establish preferences on local taxes and to exempt from payment of this or that local tax with regards to the following Articles: 183 "Tax on advertisements"; 185 "Fee for the right to hold local auctions and lotteries, competitions and exhibitions for commercial purposes"; 194 "Tax from casino"; 195 "Tax on paid services to

the population and retail sales"; 196 "Tax paid for premises or parts of premises used for production, trade and social purposes."

Article 207. The procedure of using receipts from local taxes and
fees

Receipts from local taxes and fees shall be channeled to finance protected and targeted articles.

President of the Kyrgyz Republic A.Akaev