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On the adoption of the Tax Code of the Kyrgyz Republic

On January 18, 2022, the President of the Kyrgyz Republic signed the Tax Code, adopted by the Jogorku Kenesh of the Kyrgyz Republic on December 22, 2021.

The purpose of the Tax Code is to optimize tax administration, ensure the stability of the tax system, further improve the digitalization of tax procedures, create equal conditions for doing business and reduce the shadow component of the economy.

The Code provides for two main approaches to taxation:

- ▶ a general tax regime that provides for such basic taxes as income tax, sales tax, and VAT. The threshold for mandatory VAT tax registration has been increased up to 3 000 000 soms.
- ▶ simplified system of taxation based on single tax. Under the simplified taxation system, small and medium-sized businesses with a turnover of less than 30 000 000 soms will operate. Thus, entities under this regime will be able to pay only one tax and submit one report on a quarterly basis.

The Code establishes a tax on activities in the area of electronic commerce with a rate of 2% (similar to the rate established for non-cash trading).

The obligation to pay VAT is introduced for foreign companies providing services in electronic form without using a domain name or IP address registered in the Kyrgyz Republic, the place of delivery of which is recognized as the territory of the Kyrgyz Republic ("Google tax").

Furthermore, the Code provides for benefits on an urgent basis with performance evaluation. The list of tax benefits subject to assessment, as well as the procedure and types of assessment of the effectiveness of tax benefits, will be approved by the Cabinet of Ministers of the Kyrgyz Republic.

The Code comes into force on January 1, 2022. The Tax Code of the Kyrgyz Republic dated January 1, 2009, is invalidated.

Practice areas

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