

Opening business in Kyrgyzstan: key practical considerations



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Why Kyrgyzstan?



Strategic geographical location (China's Belt and Road initiative, access to the Eurasian Economic Union - a single market of 183 million people);



Friendly relations with all great powers (e.g. Kyrgyzstan is a member-state of the Russian-led EAEU, Commonwealth of Independent States, Shanghai Cooperation Organization, World Trade Organization, and cooperates actively with UN, OSCE, WIPO, ADB, IDB, World Bank, IMF and other international organizations);



Russian language has official status and is considered a lingua franca in Kyrgyzstan;



Kyrgyzstan entered top 20 reformer countries in the World Bank's Doing Business 2020 ranking, having improved its indicators in such areas as getting electricity, getting credit and paying taxes;

Why Kyrgyzstan?



Low cost of labor and utilities (e.g., average monthly wage is: \$230);



Presence of MDBs in Kyrgyzstan (EBRD, ADB, IFC, EABR);



Special tax regime for IT companies;



Statutory visa-free regimes for 61 states including exemption from entry registration for 92 states.

Legal forms for doing business in Kyrgyzstan:

Limited Liability Company (LLC)

An LLC is a company established by one or more individuals or legal entities – participants, who are not liable for its obligations while bearing the risk of losses related to the company’s activity within the limits of their personal contributions. Liability of the company is limited to the value of its assets. The minimum number of shareholders is 30, otherwise it is subjected to the reorganization in the form of JSC. LLC has no requirements concerning the minimum amount of authorized capital. The Kyrgyz legislation indicates that a company cannot have as its sole participant another economic company consisting of one individual.

Joint Stock Company (JSC)

A JSC is a legal entity aimed to realize a profit and obtain funds by subscription and allocation of shares. The minimum authorized capital of a JSC may not be less than 100 000 KGS. Shareholders are not liable for obligations of a JSC, and bear risks of losses to the value of their shares. The Kyrgyz legislation provides two types of JSC – open (OJSC) and closed (CJSC). OJSC has no limitations to the number of shareholders, while CJSC is limited to the maximum number of 50 shareholders.

Representative offices and Branches

A representative office or branch of a foreign legal entity represents the interests of a foreign company in Kyrgyzstan. Being a subdivision of a foreign legal entity, a representative office is not entitled to conduct business activity which would result in income generated in Kyrgyzstan. A representative office acts on the basis of a “Regulation”, and is managed by an individual authorized by a parent company under a power of attorney. A representative office is not deemed to be a legal entity.

As a subdivision of a foreign legal entity, a branch may fulfill all or part of functions of its parent company, including an income generating business activity. A branch is formed in essentially the same manner as a legal entity and is subject to the same formation restrictions as are applicable to a legal entity with foreign ownership.

Taxation and Customs

Under the general rules, the general tax regime applies, which includes:

- Income tax – 10%;
- Corporate tax – 10%;
- Tax on income received from a source in the Kyrgyz Republic - 10%;
- VAT - 12%;
- Sales tax - 2% for the sale of goods, works, services subject to VAT, paid in cash; 3% for the sale of goods, works, services exempt from VAT, paid in cash; until January 1, 2023, a tax rate of 0% is applied on the sale of goods, works, services subject to VAT and / or exempt from VAT, paid in a non-cash form. From January 1, 2023, a tax rate of 2% is applied on the sale of goods, works, services subject to VAT and / or exempt from VAT, paid in a non-cash form;
- Property tax - depending on the type of property;
- Excise tax - a fixed amount depending on the type and volume of the product;
- Insurance premiums - 17.25% from the employer's funds, 10% from the Employee's funds.

Kyrgyzstan is a signatory to double taxation treaties with following countries: Austria, Belarus, Germany, India, Iran, Kazakhstan, China, Latvia, Lithuania, Malaysia, Moldova, Mongolia, Pakistan, Poland, Russian Federation, Tajikistan, Turkey, Ukraine, Uzbekistan, Finland, Canada, United Arab Emirates, Republic of Korea, Qatar, Kingdom of Saudi Arabia, Switzerland, Estonia, Turkmenistan, and Kuwait and Czech Republic.

For IT companies in the territory of the Kyrgyz Republic, there is a special tax regime - the regime of the High Technology Park (hereinafter referred to as HTP). An HTP resident is exempt from the income tax, sales tax and VAT.

Currency regulations / Banking

- In general, Kyrgyzstan's foreign currency regulations are not overly restrictive.
- All payments between residents of Kyrgyzstan must be, generally, in local currency (Som) which is mandatory for acceptance without any limitations for all types of payment.
- Transactions in foreign currency with individuals, carried out on a professional basis, are entitled to be carried out only by authorized banks (banks that have received a license from the NBKR for the right to conduct transactions in foreign currency) and exchange offices (change offices that have received a license from the NBKR for the right to conduct transactions in foreign currency).
- Unless otherwise is indicated by the normative legal act of the authorized state body, the movement of foreign currency from and outside of the Kyrgyz Republic, as well as receipts and transfers of capital from and outside of the Kyrgyz Republic are not limited. Meanwhile, the import and export of currency are not subject to any restrictions, provided that it is declared at customs control points.



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