

BUSINESS RELOCATION TO TAJIKISTAN

Benefits of relocation of business to Tajikistan:

- Geographical location (borders China, Uzbekistan, Kyrgyzstan, and Afghanistan providing access to markets of Central and South Asia, and CIS, Eurasian integration hub, Traditional transit route for cross Asian trade. “Silk Road”);
- Political and economic stability;
- Friendly relations with all great powers and neighbors;
- Russian language is the unofficial second language;
- Strong political will of the President and the Government to attract foreign investment;
- System of Guarantees and Preferences for Investors;
- There is substantial lack of budget funds for financing, therefore a high demand for investments in infrastructure;
- Free trade zones (advantageous geographical location, tax and customs benefits);
- Low cost of labor and utilities;
- Visa-free entry for foreign citizens from 69 countries, including several OECD members;
- Natural Resource Endowment;
- High-Level Political Commitment;
- Diverse Investment Opportunities.

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1 Legal forms of business

1.1 Joint Stock Company (JSC)

A JSC, which can be open or closed (OJSC and CJSC), is a legal entity that aims to make a profit and raise cash through the subscription and distribution of shares. A CJSC's charter capital must be at least TJS 1,000, whereas an OJSC's must be at least TJS 5,000. Shareholders are not liable for a JSC's commitments, although they do risk losing the value of their shares.

The number of shareholders in OJSC is unrestricted, whereas CJSC is limited to a maximum of 50 stockholders.

1.2 Limited Liability Company (LLC)

An LLC is a business formed by one or more individuals or legal entities – participants – who are not liable for the company's obligations but carry the risk of losses associated with the company's operations up to the amount of their personal contributions. The company's liability is limited to the value of its assets.

The total number of participants should not exceed thirty, otherwise, it is subjected to reorganization into a JSC.

The charter capital must be a minimum of TJS 500. According to the law, a company cannot have as its sole participant another company consisting of one participant.

1.3 Representative offices and Branches

A representative office or branch of a foreign legal entity represents company's interests in Tajikistan.

A branch office is a separate subdivision performing all or part of the functions of the company, including the functions of a representative office.

A representative office is a separate subdivision representing and protecting company's interests.

A branch or representative office operates on the basis of a power of a "Regulation" and is overseen by a person appointed by a parent company under a power of attorney. A branch or representative office is not considered a legal entity.

2 Entry requirements (VISA/work permits)

Tajikistan's entrance procedures are flexible, and depending on an investor's nationality, visa or visa exemption options will be available.

Foreign nationals can work in Tajikistan if they have a valid work visa and work permit. The work permit and work visa are valid for one year and are issued on the basis of the employee's (or employer) application.

30 days visa-free entry is available to foreign citizens from 69 countries, including several OECD members.

3 Tax rates and tax administration

On 1 January 2022, a Tax Code in new edition came into force. The new Tax Code provides for many changes, in particular the reduction of tax rates.

The Tax Code establishes that legal entities are subject to either a general or simplified taxation regime, which is applied only in relation to specific categories of businesses as well as businesses whose annual turnover does not exceed TJS 1 mln.

3.1 General (VAT)

1. Income tax: (i) for activities for the production of goods - 13%; (ii) for the activities of financial institutions and mobile companies – 20%, (iii) for other types of activity – 18%.
2. VAT- (i) standard rate – 15%; (ii) construction works, hotel services and catering services – 7% (iii) sale of domestic agricultural products production, processing of agricultural products, educational services and activities for the provision of medical services in medical sanatoriums and resorts – 5%.
3. Tax on dividends - 12%.
4. Tax on net profit (other than tax on income) of a foreign branch or representative office - 15%.
5. Land and property tax - depends on the size and location.
6. Transport tax - depends on the engine power.

3.2 Simplified

1. Taxpayers can choose one of the two taxation options, and the tax rate will depend on the chosen option:
Tax on gross income – 6%.
Taxation on the principle of "income minus costs":
 - for activities for the production of goods – 13%;
 - for all other types of activity – 18%.
2. Dividends tax – 12%.
3. Tax on net profit (other than tax on income) of a foreign branch or representative office – 15%.
4. Land and property tax - depends on the size and location of the property.
5. Transport tax - depends on the engine power.

4 Currency regulation

The National Bank of Tajikistan (NBT) oversees currency regulation. It does so by issuing regulations and instructions controlling the conduct of foreign currency transactions, issuing and revoking licenses to banks, and supervising their activities.

Tajikistan's foreign currency laws are not overly restrictive. At the same time, payments between residents of Tajikistan must be exclusively TJS, while payments between residents and non-residents can be made in any currency.

Resident legal entities are required to notify the NBT as well as Tax Committee when opening bank accounts abroad.

Residents are required to notify the NBT when granting and receiving loans from non-residents for a period of more than 12 months.

There are no restrictions or limitations placed on foreign investors in converting, transferring, or repatriating funds associated with an investment (e.g., remittances of investment capital, earnings, loan or lease payments, royalties).

5 International banking availability (possibility to open a bank account, a local bank etc.)

Foreign investors and legal entities are free to open bank accounts in Tajikistan. The method for opening a bank account varies depending on the bank, but it generally entails the submission of the following documents:

- certificate of state registration;
- extract from the state register;
- a copy of the Charter, regulations, constituent documents;
- a copy of taxpayer identification number (TIN) assignment certificate;
- copies of passports and TIN of contact persons;
- copies of documents on the appointment of the director and chief accountant;
- information letter from the tax office;
- sample card of signatures and seal imprint in 2 copies;
- for a branch and representative offices of non-residents - a copy of authorization of the authorized body of the non-resident's country to open an account in a foreign state, legalized in the embassy or consulate of Tajikistan abroad, or in the embassy or consulate of the non-resident's country in Tajikistan.

There are currently 14 commercial banks operating in Tajikistan.

The banking legislation requires disclosure of the ultimate beneficiary.

In practice, opening a bank account takes approximately 2-3 business days.