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A Primer into corporate taxation in Tajikistan

Taxes are among the most difficult issues in any country of the world, and Tajikistan is no exception. Navigating through and understanding the Tax Code of Tajikistan (Tax Code) can prove to be a challenge due to the used language (it can be rather vague) and terminology (it is rather heavy). That leaves a room for tax authorities to provide their interpretation, which, as expected, will be beneficial for the state and not to the taxpayer.

One of the most frequently asked questions in my practice is the issue of a corporate taxation in Tajikistan: what legislation regulates taxes and how its structured, established practices, and implicit regulatory requirements and rules.

In this article, we will review the Tax Code and basic corporate taxes to gain an understanding of the current taxation regimes. Individual taxes will be covered in a separate article.

Tax Code

Tax issues are primarily regulated by the Tax Code, as well as other legal acts developed by regulatory authorities, in particular the Tax Committee, which is responsible for overseeing the tax collection and enforcement.

The Tax Code can appear to be complex and difficult to understand, and it really is. This has to do with its rather vague language, which can lead to confusion and therefore the need to seek expert help to get a clear understanding of its provisions. Asking the Tax Committee to interpret the provisions of the Tax Code, unfortunately, can create a conflict of interest. The Tax Committee can interpret the provisions in the interests of the state rather than the taxpayer since its primary function is to ensure the replenishment of the state budget.

Tax Regimes

There are two tax regimes for companies in Tajikistan: Simplified (non-value-added (non-VAT)) tax and General (VAT).

Simplified (non-VAT)

Companies can choose one of two tax options, and the tax rate will depend on the option chosen:

1. Tax on gross revenue:

proceeds from non-cash transactions – 5%

proceeds from cash transactions – 6%

2. Taxation based on the revenue minus cost principle:

▶ proceeds from non-cash transactions – 15%

▶ proceeds from cash transactions – 16%

3. Tax on dividends – 12%

4. Tax on gross revenue of foreign branch, or representative office – 15%

5. Land and property tax – depends on the size and location of the property
6. Vehicle tax – depends on the engine horsepower

General (VAT)

After reaching the threshold for a gross revenue of 1,000,000 Tajik Somoni (approximately 88,340 US Dollars), the company must switch to a general regime, which imposes the following taxes:

1. Income tax – 23%
2. VAT – 18%
3. Tax on dividends – 12%
4. Tax on gross revenue of branch, or representative office – 15%
5. Road tax – 1% (of expenses)
6. Land and property tax – depends on the size and location
7. Vehicle tax – depends on the engine horsepower

It should be noted that some companies (for example, subsoil users) start operating as taxpayers under the general regime from onset, as of registration.

Special Note

One crucial point should be noted separately that can be rather confusing to foreign parties. Any funds received on an account of a subsidiary, branch, or representative office, including those from the parent company (regardless of the purpose of the funds), will be considered and treated as income, and therefore, are subject to taxation.

Final thoughts

Navigating through the legislation and regulatory requirements of a new country can be a challenge and a time-consuming endeavor. Of a particular concern can be an issue of tax law interpretation. Knowing the basics will provide the foundation for the first step in the right direction. As the next step, decide on a competent law firm with a proven track record to be your trusted partner throughout business registration and operation. The right law firm with hands-on experience in the region may save you hassle, time and excessive cost by addressing roadblocks on your business journey.

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Practice areas

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Locations

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