



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

Tax Alert

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Expected Amendments to the Tax Code

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The Draft Law proposes a number of significant amendments to the legislation of the Kyrgyz Republic.

Our analysis covers the key amendments to the tax legislation affecting tax administration and control, VAT, corporate income tax, special tax regimes, as well as certain types of taxes.



Area of Amendments	Description	Article of the Tax Code
Changes to Tax Withholding on the Sale of Shares or an Ownership Interest by a Non-Resident	Currently, where a non-resident sells shares and/or an ownership interest in a domestic entity, the buyer of the relevant shares and/or ownership interest acts as the tax agent, as the party making the payment of income to the non-resident. The Draft Law proposes to change this approach by providing that, in such cases, the domestic entity whose shares or ownership interest are being transferred will be recognized as the tax agent.	53
Tax Obligations of an Individual Upon Death	Currently, the tax obligations and tax debt of a deceased individual (or an individual declared dead by a court) are transferred to the heirs up to the value of the inherited property. The Draft Law proposes to discontinue this approach by providing for the termination of the deceased individual's tax obligations and write-off of tax debt as of the date of death or the date on which the court decision declaring the individual dead enters into force.	79
Changes to the Rules for Recognition and Collection of Uncollectible Tax Debts	Uncollectible tax debt will no longer be permanently written off but instead transferred to archival (virtual) records, with the possibility of subsequently restoring the debt to the taxpayer's tax account in cases provided by law.	80

General Part of the Tax Code

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Area of Amendments	Description	Article of the Tax Code
Resumption of Interest Accrual during Procedures Aimed at Restoring the Solvency of a Bankrupt Taxpayer	It is proposed that, where procedures aimed at restoring the solvency of a taxpayer are applied, the accrual of interest resumes from the date on which the relevant decision enters into force. Such procedures include, in particular, rehabilitation, restructuring, and a settlement agreement.	82
Shortening of the Period for Remedying Breaches of the Terms of Tax Debt Deferral and/or Installment Arrangements	The Draft Law proposes to shorten the period for complying with or challenging a decision to remedy a violation from 10 calendar days to 7 business days from the date of receipt. If the taxpayer fails to comply with or challenge the tax authority's decision, the deferral and/or installment arrangement will, as before, be deemed terminated as of the date on which the terms of the arrangement were breached.	92
Expansion of Tax Overpayment Offset Opportunities	It is proposed to allow overpaid taxes , interest, and penalties to be applied not only toward the settlement of tax debt, but also toward outstanding social insurance contributions and non-tax revenues administered by the tax authorities, including interest and penalties accrued thereon.	93
Changes to the Rules for Amending Tax Returns	The ability to amend previously submitted income tax and social insurance contribution returns is limited with respect to the removal of individuals previously reported .	104



Area of Amendments	Description	Article of the Tax Code
Restrictions on Changing Tax Registration Location in the Presence of Outstanding Tax Debt	It is proposed to provide that re-registration of a taxpayer due to a change in the place of tax registration that results in a change of the relevant tax district or city will not be permitted if the taxpayer has outstanding tax debt at its current place of tax registration.	112
Expansion of the Grounds for Conducting an Unscheduled On-Site Tax Audit	The Draft Law proposes to expand the list of cases in which the tax authorities may initiate an unscheduled on-site tax audit of a taxpayer. In particular, new grounds for conducting such an audit include: • receipt from the authorized state body responsible for the registration of legal entities of a notification on the initiation of compulsory liquidation proceedings against a legal entity and/or the termination of activities of an individual entrepreneur; • receipt from state bodies responsible for monitoring compliance with investment agreements of information on the failure to comply with or improper performance by an investor of the terms of an investment agreement concluded in accordance with the legislation of the Kyrgyz Republic on investments.	117

Area of Amendments	Description	Article of the Tax Code
Exception to the Rule on the Non-Application of Tax Penalties Following a Desk Audit	Currently, tax penalties are not applied based on the results of a desk audit. An exception is proposed for cases where an underpayment of VAT and corporate income tax is identified in connection with the use of an invoice that has been duly invalidated in relation to transactions involving no actual supply of goods. In such cases, the tax penalty will amount to 100% of the identified tax underpayment, in accordance with Part 3 of Article 163 of the Tax Code of the Kyrgyz Republic.	125
New Ground for Applying Indirect Methods to Determine Tax Liabilities	The list of grounds is expanded to include cases where the tax base cannot be determined based on the taxpayer's tax returns and supporting documents. Accordingly, in such cases, the tax authorities may determine the taxpayer's tax liabilities using indirect methods.	138
Tax Services Operator	The Tax Code introduces the concept of a Tax Services Operator, defined as a legal entity that provides taxpayers with electronic services and other services aimed at facilitating the fulfillment of tax obligations and access to government tax services. The Tax Services Operator must comply with tax secrecy requirements, may not transfer its rights and obligations to third parties, and is liable for any unlawful disclosure or use of the relevant information.	4, 153-2

Description	Article of the Tax Code
The threshold for winnings exempt from Personal Income Tax is proposed to be increased from 50 to 100 calculation units per individual winning.	191
The Draft Law proposes to expand the list of income exempt from personal income tax to include income from the sale of scrap from precious metal jewelry, worn-out and/or unsalable clothing, as well as textile production waste (fabric remnants and cut-offs). At the same time, it is proposed to remove from the list of tax-exempt income amounts proceeds from the sale of movable property acquired and used for personal needs.	191
It is proposed to exempt interest income and capital gains from government securities of the Kyrgyz Republic issued by the authorized state body responsible for budget forecasting and execution from Personal Income Tax and Corporate Income Tax.	191, 213
The list of expenses not deductible for Corporate Income Tax purposes is expanded. In particular, the following expenses will not be deductible: • expenses related to goods, works and services for which the source of origin is not supported by documentary evidence; • expenses related to goods, works and services for which an invoice required under the Tax Code has been duly invalidated; • expenses related to transactions where it has been established that the underlying business activity was not actually carried out or that a supply of goods without actual delivery took place.	236



Description	Article of the Tax Code
It is proposed to provide that, in the case of transactions involving the supply of goods without actual delivery, i.e. transactions not involving the actual supply of goods, performance of works or provision of services, the taxpayer will not be entitled to deduct the related expenses for Corporate Income Tax purposes or claim input VAT credit on amounts of VAT charged in respect of such transactions.	236, 316
The effective date of VAT registration is changed. VAT registration will be required from the first day of the month in which the grounds for recognizing a person as a VAT taxpayer arise. In the event of late registration, the VAT liability will likewise be determined from the beginning of the relevant month.	255
Tobacco-free hookah products classified under HS code 2404 are added to the list of excisable goods. The following Excise Tax rates are proposed for such products: • KGS 4,250 per kilogram from 1 January to 31 December 2026; • KGS 4,500 per kilogram from 1 January 2027. For hookah tobacco, the minimum share of tobacco raw materials used for determining the tax base is increased from 20% to 30% of the net weight.	334, 336

Subsoil Use Taxes I Unified Tax

Description	Article of the Tax Code
For certain water supply organizations , the exemption from Subsoil Use Taxes is proposed to be limited, with the exemption retained only for the bonus.	349
The special Royalty rates for gypsum and natural stone are abolished. Instead of the current rates of 6% and 12%, the general 3% Royalty rate will apply.	359
The Sales Tax exemption for electricity supplies is clarified. The amendments provide that the exemption will not apply to electricity supplied for electric vehicle charging .	364
For electric vehicle charging station operators, the restriction on applying the Unified Tax regime is proposed to be removed.	419
A one-year waiting period for re-entering the Unified Tax regime is introduced not only following voluntary withdrawal from the regime, but also where the taxpayer loses the right to apply the regime due to failure to meet the applicable requirements. The amendments also provide for the possibility of applying the 0% Unified Tax rate where a taxpayer previously deregistered as a 0% unified taxpayer due to a breach of the regime requirements seeks to re-enter the regime after one year from the date of such deregistration.	420
Upon cessation of business activities, remaining inventories will be deemed to have been sold for Unified Tax purposes at their carrying value or, where supporting documents are unavailable, at their market value .	422



High Technology Park I “Tamchy SFIT” (Special Financial and Investment Territory)

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Description	Article of the Tax Code
If the tax authorities identify activities carried out by a High Technology Park resident that do not comply with the applicable regime requirements, the General Tax regime may be applied retrospectively from the date of the resident's initial registration as a High Technology Park resident. In addition, the amendments propose to provide that an entity whose High Technology Park resident status has been revoked may re-register as a High Technology Park resident no earlier than two years from the date of such revocation.	434, Article 6 of the Law of the Kyrgyz Republic “On the High Technology Park of the Kyrgyz Republic”
The Draft Law significantly clarifies and further tightens the special tax regime of Tamchy SFIT. The SFIT tax regime will apply exclusively to activities carried out directly within the territory of Tamchy SFIT. At the same time, an SFIT entity will be prohibited from conducting economic activities in the rest of the Kyrgyz Republic. Activities of a Tamchy SFIT entity that meet the applicable requirements will be exempt from all types of taxes, as well as from tax agent obligations in respect of taxes provided for by the Tax Code. In addition, SFIT entities will be exempt from filing tax returns, including the Annual Tax Declaration. Separate rules are established for the taxation of goods moved between Tamchy SFIT and the rest of the Kyrgyz Republic. The import of goods from Tamchy SFIT into the rest of the Kyrgyz Republic will be subject to import VAT. The administration of taxes on the movement of goods from Tamchy SFIT to the rest of the Kyrgyz Republic, from the rest of the Kyrgyz Republic to Tamchy SFIT, or through the territory of Tamchy SFIT will be carried out by customs authorities. Tamchy SFIT residents will be exempt from tax audits.	61, 106, 109, Chapter 64

