

BUSINESS IN THE KYRGYZ REPUBLIC: LEGAL ASPECTS 2024

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PREFACE

Dear Reader,

This information-and-reference guide is another regular issue which covers the legal aspects of doing business in Kyrgyzstan. This publication was requested by our customers, who, having entered the market of this country, frequently faced issues related to starting and running business in Kyrgyzstan, investment guarantees, tax regime, licensing requirements, etc. In this edition, we tried to answer many of these questions, but, above all, we endeavoured to create a useful guide for those who are interested in doing business in Kyrgyzstan.

We have been releasing this guide since 2009 and are proud to remark that over more than 15 years of publications, it has been used not only by our customers but also by the public authorities of the Kyrgyz Republic. All editions are published in the Russian and English languages¹. This issue was prepared by our entire team of lawyers practicing in various areas of commercial law. We constantly strive to improve our professional skills and explore new ideas for growth and this publication is one example of our endeavours.

We thank our readers and want to emphasize that our joint efforts have originated not only from our eagerness for professional growth, but also from our desire to make this country more open to businesses. We sincerely wish Kyrgyzstan to prosper, and this publication is a modest contribution of our company's professional team towards a better future for Kyrgyzstan.

This publication is also accessible for the worldwide audience on our website:
www.k-a.kg.

Yours respectfully,
Kalikova & Associates Team

¹ The English version of the guide is available on our website: <http://www.k-a.kg/eng/business-guide>.

1. KYRGYZSTAN: OVERVIEW

1.1. Geography

The Kyrgyz Republic is located in Central Asia and has an area of 199.9 thousand square kilometres, or 77,182 square miles.

The Kyrgyz Republic borders Kazakhstan to the north, Uzbekistan to the west and north-west, Tajikistan to the south-west, and China to the south and south-east.

The landscape includes all natural zones common for the northern hemisphere, except the tropics.

By its administrative and territorial system the Kyrgyz Republic belongs to unitary states and consists of 7 oblasts (regions) (Chui, Issyk-Kul, Talas, Naryn, Jalalabat, Osh and Batken) and 2 cities of national significance (Bishkek and Osh). The capital of the Kyrgyz Republic is Bishkek.

1.2. History

Early state formations in the territory of modern Kyrgyzstan appeared in the 2nd century B.C. The most ancient historical documents on Kyrgyz statehood are the ones written by a well-known Chinese historian and chronicler Sim Xian that date back to 201 B.C.²

By the late 7th to early 8th century A.D. the Kyrgyz people had become a significant force respected by the powerful nations of Central Asia, and by the 40s of the 9th century they founded a vast nomadic empire known as the Kyrgyz Khaganate. The traditional and cultural background of the Kyrgyz people and the ethnonym “Kyrgyz”, which is interpreted by the Kyrgyz people themselves as “forty maidens”, each a traditional ancestress of a family line, support the assumption that the Kyrgyz Khaganate consisted of 40 tribes.

In the 1870s – 1880s, the territory of modern Kyrgyzstan formed part of the Russian Empire. In 1918, it became part of the Turkestan Autonomous Soviet Socialist Republic of the Russian Soviet Federative Socialist Republic. After the national delimitation of Soviet republics in Central Asia in 1924, there was established the Kara-Kyrgyz Autonomous Region (since 1925 – the Kyrgyz Autonomous Region) within the Russian Soviet Federative Socialist Republic; in 1926, it was transformed into the Kyrgyz Autonomous Soviet Socialist Republic within the Russian Soviet Federative Socialist Republic, and in

² <https://open.kg/about-kyrgyzstan/history/kyrgyz-in-vi-xii-centuries/>

1936 – into the Kyrgyz Soviet Socialist Republic within the Union of Soviet Socialist Republics.³

In 1991, Kyrgyzstan was declared to be an independent and sovereign state called the Republic of Kyrgyzstan, and in 1993, it was renamed into the Kyrgyz Republic.

1.3. Population and Language

At the beginning of 2023, the number of permanent population of the Kyrgyz Republic was 7,037,590 people (men – 49.45%, women – 50.55%)⁴.

There are more than 20 different ethnic groups in the Kyrgyz Republic.

According to the statistics, the age structure of the population is as follows: children and young adolescents (34.54%), working-age population (56.54%) and elderly population (8.55%)⁵.

In the Kyrgyz Republic, Kyrgyz is the national language and Russian is the official language. Official documents of state authorities and local self-government must be adopted in the national language and in cases provided by law, must be translated into the official language and published in two languages.

1.4. National transport system

The relatively small size of the country makes travel within it easy. A flight from the north to the south of the country lasts about one hour. Currently, there are 11 airports in the Kyrgyz Republic, including 5 international and 6 regional ones.⁶

The total length of roads is 34,000 km, including 19,000 km of public roads maintained by the structural units of the Ministry of Transport and Communications and 15,190 km of urban, rural, agricultural, industrial and other roads.⁷

The railway network is 424.6 km long and consists of two train routes geographically divided into two sections. The Northern section Balykchy – Turksib, Kazakhstan of 323.4 km and the Southern

3 Kyrgyz Statehood. Century Statistics. Bishkek, 2003.

4 <https://stat.kg/ru/statistics/naselenie/>.

5 <https://stat.kg/ru/statistics/naselenie/>

6 <http://www.airport.kg/about/airports>

7 The Cabinet of Ministers Resolution No. 71 of February 10, 2023, approving the Main Guidelines for Development of Road Sector 2023-2030.

section of 101.2 km provide output from Kyrgyzstan to the railway networks of neighboring states - Kazakhstan and Uzbekistan.⁸

Transit choices

Kyrgyzstan has signed air services agreements with more than 30 countries of the world.⁹

Roads link Kyrgyzstan with all neighbouring countries (Uzbekistan, Tajikistan, Kazakhstan, and China). The Kyrgyz Republic has signed 20 bilateral agreements on international road transport with the following countries: Azerbaijan, Armenia, Belarus, China, Germany, Georgia, Hungary, Iran, Kazakhstan, Latvia, Mongolia, Pakistan, Poland, Russia, Turkmenistan, Turkey, Ukraine and Uzbekistan. Apart from that, there are 2 interdepartmental agreements signed with France and Austria. In addition to bilateral agreements, 9 multilateral agreements on road transport have been signed with EAEU, SCO, ECO (Turkic-speaking), OTS, TRACECA and CIS member states. Also, Kyrgyzstan has concluded multilateral agreements on international road transport with Uzbekistan, Kazakhstan Pakistan, China, and SCO member states¹⁰.

The railway network links Kyrgyzstan with Uzbekistan and Kazakhstan. The feasibility study of the China - Kyrgyzstan - Uzbekistan railway project has been finalised.

Mail and Freight Services

In the Kyrgyz market, mail and freight services are provided by both state-owned and private postal and shipping operators. Thus, Kyrgyz Pochtasy SOE (Kyrgyz Postal Operator) provides regular and express mail, parcels and packages delivery (by ground or air), international express mail, and domestic or international money order services. Express mail services are provided by representative offices and licensees of international companies such as DHL, FedEx, TNT Express, and UPS, as well as by local companies.

⁸ The Cabinet of Ministers Resolution No. 258 of May 20, 2022, approving the Main Guidelines for Development of Railway Transport of the Kyrgyz Republic 2022-2026.

⁹ https://www.caa.kg/sites/default/files/2023-08/%D0%9F%D0%B5%D1%80%D0%B5%D1%87%D0%B5%D0%BD%D1%8C%20%D0%9C%D0%94_0.pdf

¹⁰ <https://mtd.gov.kg/mezhdunarodnoe-sotrudnichestvo/>

1.5. Telecommunications Network

The Internet

There are a broad variety of options for Internet access ranging from dial-up to wired broadband and Wi-Fi access and satellite-based Internet. Leading service providers include ElCat, AsialInfo, Kyrgyztelecom, Aknet, Saima Telecom, Alfa Telecom, IPNET, Mega-Line, Sky Mobile, and others.

Mobile Telecom Services

At the moment, mobile services in the local market are provided by:

- GSM, WCDMA/UMTS, LTE mobile network provider operating under Beeline brand;
- GSM, WCDMA/UMTS, LTE mobile network provider operating under MegaCom brand;
- GSM, WCDMA/UMTS, LTE mobile network provider operating under O! brand.

1.6. Political System

The political system of the Kyrgyz Republic is defined in the Constitution¹¹. The Constitution sets forth the principle of separation of powers, under which the state power of the Kyrgyz Republic headed by the President is divided into legislative, executive, and judicial branches.

The President is the head of state and the top official of the Kyrgyz Republic elected for a period of 5 years.

The Jogorku Kenesh – Parliament of the Kyrgyz Republic – is a representative body exercising the legislative power. The Jogorku Kenesh of the Kyrgyz Republic consists of 90 Parliamentarians elected for the term of 5 years.

The executive power in the Kyrgyz Republic is exercised by the President who is authorized by constitutional law to direct the activities of the executive branch, to give instructions to the Cabinet of Ministers and its subordinate bodies, to control the execution of instructions, to reverse the acts of the Cabinet of Ministers and its subordinate bodies. The President determines the structure and composition of the Cabinet of Ministers and suspends the members of the Cabinet of Ministers.

The judicial power in the Kyrgyz Republic is exercised only by the courts. In the cases and in the manner provided by law, the citizens of the Kyrgyz Republic have the right to participate in the administration of justice.

¹¹ Constitution of the Kyrgyz Republic enacted by the Law of the Kyrgyz Republic of May 5, 2021.

1.7. Judicial System

The judicial system of the Kyrgyz Republic consists of the Constitutional Court, Supreme Court, and local courts. The judicial power is exercised by means of constitutional, civil, criminal, administrative, and other proceedings.

It should also be noted that in the Kyrgyz Republic there exist courts of arbitration which resolve civil disputes outside the official judicial system. From January 1, 2023, disputes over calculation and payment of taxes or recovery of tax arrears are qualified as civil disputes. Accordingly, such disputes may be referred to arbitration. However, there is no separate law on international commercial arbitration. An award is enforceable under a writ of execution issued by the state court. In addition, the state court may order provisional measures in the legal cases reviewed by the permanent court of arbitration.

Courts of general jurisdiction are as follows:

- Courts of first instance: district courts, Bishkek city district courts, city courts, and administrative courts. All of them consider and resolve the cases falling within their jurisdiction on the merits.
- Courts of second instance: regional courts, Bishkek City court. Each of these courts consists of three judicial panels: panel on criminal and misdemeanour cases, panel on civil and commercial cases, and panel on administrative cases. Three-judge panels of courts of second instance revise judicial acts of courts of first instance that have not come into legal force.
- Court of cassation instance: the Supreme Court of the Kyrgyz Republic, consisting of the Plenary Assembly and 3 respective panels of 3 judges. The Supreme Court reviews the judicial acts that have come into legal force by way of cassation. It should be noted that the judicial acts of the courts of first instance that have come into legal force but have not been appealed to the courts of second instance may not be revised by way of cassation.

Constitutional review is exercised by the Constitutional Court of the Kyrgyz Republic.

Court proceedings in the Kyrgyz Republic: Some Specific Features

Court proceedings in civil and administrative cases in the Kyrgyz Republic have some specific features that should be taken into account. In particular:

- litigants have to pay a court fee¹² in advance at the time of filing the claim;

¹² The Code of the Kyrgyz Republic "On Non-Tax Revenues" of August 10, 2018 No. 90 provides for exemption from state fees.

- claims for damages must be expressed in local currency, even if a dispute arises from an international economic transaction and the transaction currency is specified in the contract;
- in civil cases, provisional measures can be granted by a court only after acceptance of the claim which may be appealed to a court of higher instance;
- an attorney cannot independently obtain information about the availability or lack of assets (cash in bank, real estate, shares) of the defendant. Such information can be obtained on the basis of subpoena and the attorney may make a motion for such subpoena to the court reviewing the case;
- court proceedings can be protracted due to actions of unscrupulous parties who may keep appealing procedural decisions of the court;
- administrative acts of the public authorities can be appealed to the court only after completion of pretrial appeal process in administrative proceedings.

Arbitration: Some Specific Features

The national arbitration legislation is based on the UNCITRAL Model Law on International Commercial Arbitration. International commercial arbitration is not separately regulated in the Kyrgyz Republic but is governed by the Arbitral Tribunals Law of the Kyrgyz Republic.

The International Court of Arbitration of the Kyrgyz Chamber of Commerce and Industry is one of the permanent arbitral tribunals in the country.¹³

Arbitration proceedings in the Kyrgyz Republic also have some specific features, for example:

- the state court may not reverse an arbitral award, but may refuse to enforce it. This means that the respondent and/or the debtor is deprived of the active right to defend its interests at the place of arbitration, as it has to wait until the claimant and/or creditor applies to the state court for enforcement of the award where it may present its arguments;
- the state court may communicate with the arbitral tribunal to enforce awards and to grant provisional measures, but not to enforce subpoenas to obtain evidence;
- there is a growing tendency among the courts to apply a broad interpretation of non-arbitrability of disputes. However, there is no track record of the Supreme Court decisions on this matter.

Since 2017, after the introduction of the Mediation Law of the Kyrgyz Republic¹⁴, mediation has become one more available alternative dispute resolution method. Mediation can be used to resolve

¹³ <http://www.arbitr.kg/web/index.php>.

¹⁴ The Law of the Kyrgyz Republic "On Mediation" of July 28, 2017 No. 161.

disputes arising from civil, family or employment matters and, in case specifically provided by law, from criminal matters. As a result of mediation, the parties can sign a mediation agreement setting out the terms and conditions of the mediation process, as well as the consequences of a failure to perform or improper performance of agreement by the parties.

Enforcement of Judgment

Under Kyrgyz law¹⁵, writs of execution may be directed to enforcement agents for execution. Writs of execution include the following:

- Writs of execution to enforce judgments, including verdicts in the part concerning asset recovery;
- Court orders;
- Court rulings or orders granting provisional measures, compensation for damages or confiscation of property, or relating to violation cases;
- Notarized alimony agreements;
- Enforceable notarial deeds;
- Orders issued by public authorities, local self-governments or officials authorized to review cases of violations in the part concerning asset recovery, including orders executed in electronic form and certified by electronic signature of officials authorized to review cases of violations;
- Certificates issued on the basis of decisions of employment dispute commissions and trade unions;
- Orders of the enforcement agent on recovery of damages awarded, charging the enforcement fee, and recovering the enforcement costs;
- Acts issued by other public authorities, local self-governments and officials in cases provided by law.

The Kyrgyz Republic is a party to a number of treaties under which an interested party may file an application in a court of the Kyrgyz Republic for recognition and enforcement of a foreign judgment or arbitral award. The principal treaties are:

- UN Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10th June 1958, to which the Kyrgyz Republic acceded in 1995;
- CIS Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases of January

¹⁵ The Law of the Kyrgyz Republic "On enforcement proceedings and the status of enforcement agents in the Kyrgyz Republic" dated January 28, 2017 No. 15 (with the latest amendments as of August 17, 2020).

22, 1993, ratified by the Kyrgyz Republic in 1995. In 2004, the Kyrgyz Republic also ratified the Convention on Legal Aid and Legal Relations in Civil, Family and Criminal Cases of October 7, 2002¹⁶;

- A number of bilateral mutual legal assistance treaties with Azerbaijan, Iran, India, China, Latvia, Mongolia, Russia, Turkey, Kazakhstan, Uzbekistan, and other nations.

1.8. Economy

The Kyrgyz Republic is a country with rich natural resources, high level of public education, favourable geographical location, and mild climate. It has a huge potential for development of industrial production, hydroelectric power sector, light manufacturing and food industry, agriculture, and tourism.

The Kyrgyz Republic promotes a convergent system of economy based upon such key principles as free entrepreneurship, free pricing system, free competition, and state regulation.

Industrial development is primarily achieved due to electricity production, non-ferrous metal industry, and food processing. Achievements in the agricultural sector are primarily attributable to the efforts of peasant farms.

The Kyrgyz Republic ranks 115th out of 176 countries in the 2023 Index of Economic Freedom released by the Heritage Foundation in collaboration with the Wall Street Journal. The Kyrgyz Republic is ranked 25th among 39 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.¹⁷

Key Macroeconomic Indicators¹⁸

According to the preliminary estimate of the National Statistics Committee of the Kyrgyz Republic, in January-December 2023, the gross domestic product (GDP) amounted to 1,228.9 bln. soms and the real GDP growth rate reached 106,2%.

The production volumes increased in the construction sector (by 10.3%), service sector (by 6.2%), industrial sector (by 2.7%), and agricultural sector (by 0.6%). In the nominal GDP structure, the share

16 The Convention 2002 replaces the Convention 1993. However, the Convention 1993 continues to apply to relations between the Kyrgyz Republic and a member State of that Convention if the Convention 2002 has not yet entered into force for that particular State.

17 <https://www.heritage.org/index/country/kyrgyzrepublic>

18 <https://mineconom.gov.kg/ru/post/9978>

of goods-producing industries constituted 32.3% and the share of services-producing industries constituted 50.8%.

In 2023, the gross output of the manufacturing industry amounted to 482.8 billion soms and the production volume increased by 2.7% compared to 2022. The gross output of the agricultural sector amounted to 378.7 billion soms and the real growth rate reached 100.6%. The growth in the gross agricultural output is achieved due to an increase in the production of livestock (by 2.3%), eggs (by 12.8%), milk (by 2.5%) and meat (by 1.7%). In 2023, the total gross output in the construction sector increased by 10.3% and amounted to 198.0 billion soms, and in the service sector increased by 7.3% and amounted to 1,005.0 billion soms.

In 2023, the volume of capital investment from all sources of funding increased by 18.8% and amounted to 168.5 billion soms.

The service sector is mostly represented by wholesale and retail trade (35.0%), transportation services (8.0%) and financial intermediation and insurance services (9.9%).

The consumer price index, which measures inflation, amounted to 107.3%. The average annual inflation rate amounted to 110.8%.

In January-November 2023, the average monthly nominal salary of employees (excluding those of small enterprises) increased by 20.6% compared to the same period in 2022 and amounted to 32,142 soms. Its real size, calculated taking into account the consumer price index, increased by 8.6%.

In the first 11 months of 2023, the volume of international trade in goods increased by 29.0% compared to the same period in 2022 and amounted to 13.9 billion US dollars. The volume of export increased by 36.7% and amounted to 2.8 billion US dollars and the volume of import increased by 27.2% and amounted to 11.1 billion US dollars. At the same time, the share of exports in the structure of trade turnover constituted 20.2% and the share of imports constituted 79.8%.

The volume of mutual trade with the EAEU member states decreased by 11.1% compared to January-November 2022 and amounted to 3.9 billion US dollars. The volume of international trade with third countries (non- EAEU members) in January-November 2023 increased by 1.6 times as compared to January-November 2022 and amounted to 10.0 billion US dollars.

1.9. Foreign Affairs

Diplomatic Relations with Foreign Nations

Since gaining independence in 1991, the Kyrgyz Republic has established diplomatic relations with 171 countries.

The list of the countries with which the Kyrgyz Republic has diplomatic relations includes: Antigua and Barbuda, Afghanistan, Albania, Algeria, Andorra, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Bahrain, Belarus, Belgium, Benin, Bosnia and Herzegovina, Brazil, Brunei-Darussalam, Bulgaria, Burundi, Cambodia, Cameroon, Canada, Cape Verde, the Central African Republic, Chad, Chile, China, Columbia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, the Czech Republic, the Commonwealth of Dominica, Denmark, Djibouti, the Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Finland, Fiji, France, Gambia, Germany, Georgia, Ghana, Greece, Guatemala, Guinea, Guyana, Hungary, India, Indonesia, Iraq, Iran, Ireland, Island, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kiribati, the Korean People's Democratic Republic, the Republic of Korea, Kuwait, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Lichtenstein, Lithuania, Luxemburg, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Monaco, Mongolia, Montenegro, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, the Netherlands, New Zealand, Nicaragua, Norway, Oman, Palau, Palestine, Panama, Paraguay, Pakistan, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, the Solomon Islands, the South African Republic, Spain, Sri Lanka, Sudan, Surinam, Sweden, Switzerland, Syria, Tajikistan, Thailand, the Kingdom of Tonga, the Togolese Republic, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, the United Kingdom of Great Britain and Northern Ireland, the United States of America, the United Arab Emirates, Uruguay, Uzbekistan, Vanuatu, Vatican, Venezuela, Vietnam, Yemen, Zambia.¹⁹

The Kyrgyz Republic has set up diplomatic missions in the following countries: Austria, Azerbaijan, Afghanistan, Belarus, Belgium, Hungary, Germany, India, Iran, Italy, Kazakhstan, Qatar, China, Korea, Kuwait, Malaysia, United Arab Emirates, Pakistan, Russia, Saudi Arabia, United Kingdom of Great Britain and Northern Ireland, United States of America, Canada, Tajikistan, Turkey, Uzbekistan, Ukraine, France, Switzerland, and Japan.

¹⁹ <https://mf.gov.kg/ru/osnovnoe-menyu/vneshnyaya-politika/mezhdunarodnye-dogovory/spisok-stran-s-kotorymi-ustanovleny-dipotnosheniya/spisok-stran-s-kotorymi-kr-ustanovil-diplomaticheskie-otnosheniya>

The Kyrgyz Republic maintains honorary consulates in various foreign states and also has consulates in the following cities:

- A general consulate in Yekaterinburg, the Russian Federation;
- A vice consulate in Novosibirsk, the Russian Federation;
- A general consulate in Almaty, the Republic of Kazakhstan;
- A general consulate in Istanbul, the Republic of Turkey;
- A general consulate in Dubai, the United Arab Emirates;
- A general consulate in Guangzhou, the People's Republic of China;
- A consular agency in Frankfurt am Main, the Federal Republic of Germany;
- A visa office in Urumqi, the People's Republic of China.

In addition, the Kyrgyz Republic maintains the following permanent missions to international organizations:

- The permanent mission to the United Nations and other international organizations in New York City, USA;
- The permanent mission to the United Nations and other international organizations in Geneva, Switzerland;
- The permanent mission to the Organization for Security and Cooperation in Europe and other international organizations in Vienna, Austria.

Membership in International and Regional Organizations

Currently, the Kyrgyz Republic is a member of 80 international and regional organizations, including:²⁰

- cooperation organizations: the United Nations Organization (UN), the Organization for Security and Cooperation in Europe (OSCE), the Economic Cooperation Organization (ECO), the Organization of Islamic Cooperation (OIC), the Collective Security Treaty Organization (CSTO), the Commonwealth of Independent States (CIS), the Eurasian Economic Cooperation (EAEC), the Shanghai Cooperation Organization (SCO);
- financial institutions: the International Monetary Fund (IMF), the Asian Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD, the World Bank Group), the International Development Association (IDA, the World Bank Group), the European Bank for

²⁰ Resolution of the Government of the Kyrgyz Republic "On improving the efficiency of cooperation between the Kyrgyz Republic and international organizations, integration associations and treaty bodies" dated December 2, 2015 No. 817.

- Reconstruction and Development (EBRD), the Islamic Development Bank (IDB), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA);
- trade organizations: the World Trade Organization (WTO), the International Islamic Trade Finance Corporation (ITFC), the Economic Cooperation Organization Trade and Development Bank, the World Customs Organization;
 - food and agriculture organizations: the UN Food and Agriculture Organization (FAO), the International Commission on Irrigation and Drainage (ICID), the International Commission for Water Coordination (ICWC), the Secretariat of the UN Convention to Combat Desertification (UNCCD), the World Organization for Animal Health, the CIS Intergovernmental Council for Veterinary Cooperation, and the European and Mediterranean Quarantine and Plant Protection Organization (EPPO);
 - transport and telecommunication organizations: the International Telecommunication Union (ITU), the Universal Postal Union (UPU), the International Civil Aviation Organization (ICAO), the Interstate Aviation Committee (IAC), the Transport Coordination Meeting, the Organization for Cooperation between Railways (OSJD), the Regional Commonwealth in the field of Communications (RCC);
 - labour, social security and migration organizations: the International Labour Organization, the International Social Security Association, the International Association of Pension and Social Funds, and the International Organization for Migration;
 - health care organizations: the World Health Organization, the International Committee of the Red Cross, and the National Red Crescent Society;
 - patent organizations: the World Intellectual Property Organization (WIPO), the Eurasian Patent Organization, the Interstate Council on Legal Protection of Intellectual Property;
 - energy organizations: the Energy Charter Secretariat (ECS), the International Atomic Energy Agency (IAEA);
 - environmental and biological safety organizations: the Secretariat of the United Nations Framework Convention on Climate Change and the Kyoto Protocol to the UN Framework Convention on Climate Change, the UN/ECE Convention on Environmental Impact Assessment in a Trans-boundary Context, the Secretariat of the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, the Secretariat of the Stockholm Convention on Persistent Organic Pollutants, the Secretariat of the UN EEC Convention on Long-range Trans-boundary Air Pollution, the Vienna Convention for the Protection of the Ozone Layer, the UN Convention on Biological Diversity, the UN Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Green Climate Fund (GCF), the Climate Change Adaptation Fund (Adaptation

Fund), the Global Environment Facility (GEF);

- natural disaster prevention organizations: the World Meteorological Organization (WMO), the Asian Disaster Reduction Center (ADRC), the CIS Interstate Council on Natural and Man-made Emergencies, and the CIS Interstate Council on Hydrometeorology;
- standards organizations: the CIS Interstate Council on Standardization, Metrology and Certification, the Interstate Scientific-and-Technical Commission on Standardization, Technical Regulation and Conformity Assessment of Construction Products, the International Organization for Standardization (ISO), the European Committee for Standardization.

The Economic Cooperation Organization (ECO) – since November 1992

The key goal of the ECO as a regional inter-governmental organization is to identify the common interests of its member states in various areas of economic cooperation, to assure their integrated coordination, to make decisions and bring them to the stage of execution.

The Commonwealth of Independent States (CIS) – since March 1992

At present, the CIS, as one of the traditional forms of multilateral cooperation between post-Soviet nations, has a positive impact on the maintenance of previously established relations in the post-Soviet period, and continues to play a stabilizing role by providing a solution to problems in various fields of cooperation among the CIS countries.

The Kyrgyz Republic is genuinely interested in international cooperation. Furthermore, it actively participates in the structures of the CIS and, within its framework, contributes to the further development of commercial and economic relations between the member states.

The Organization of Islamic Cooperation (formerly, the Islamic Conference) (OIC) – since December 1992

One of the areas of the OIC's activities since the disintegration of the Soviet Union is the resolution of economic problems in Islamic countries through the program developed by the OIC to establish a common market of Islamic countries based on the example of the European Economic Union.

The Eurasian Economic Union (EAEU) – August 2015

The Eurasian Economic Union is a regional economic integration organization possessing international legal personality and established by the Eurasian Economic Union Treaty. The EAEU guarantees the

free movement of goods, services, capital and labour, and the pursuit of coordinated, concerted and common policies in the economic sectors. The EAEU member states are: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The EAEU was established with an aim to ensure overall modernization, cooperation and enhanced competitiveness of national economies and favourable conditions for stable development and raising of the living standards of the peoples of the member states.

The Shanghai Cooperation Organization (SCO) – since June 2001

The principal goals and objectives of the SCO are: to strengthen mutual trust, friendship and neighbourliness between the member states; to develop multi-industry cooperation for the purpose of supporting and strengthening peace, security and stability in the region; to jointly fight terrorism, separatism and extremism in all their manifestations; to fight illicit drug and firearms trafficking, other types of transnational criminal practices, and illegal migration; to encourage effective regional cooperation in areas of common interest; to support integrated and balanced economic growth, social and cultural development of the region by joint actions taken on the basis of equal partnership with the purpose of continuous improvement of living standards of the peoples of the member states; to coordinate approaches towards integration into the global economy; to help assure fundamental human rights and freedoms in accordance with international obligations of the member states and their national legislation; to support and develop relations with other states and international organizations; to take joint action to prevent international conflicts and to ensure their peaceful settlement; and to jointly search for solutions to problems that may arise in the 21st century.

2. INVESTMENT CLIMATE

2.1. Legal Framework for Investment Activities

Mobilizing investment is a prerequisite for economic development in the Kyrgyz Republic, which is reflected in a quite liberal investment legislation of the country.

The basic and paramount law of the Kyrgyz Republic is the Constitution which recognizes diversity and equal legal protection of ownership types and guarantees protection against arbitrary deprivation of property without the consent of the owner.

The Constitution is the basis for enacting other laws, including the laws directly or indirectly regulating investment in the Kyrgyz Republic such as the Law on Licensing and Permitting System in the Kyrgyz Republic, the Law on Joint-Stock Companies, the Law on Business Partnerships and Companies, the Law on Subsoil, the Law on Free Economic Zones in the Kyrgyz Republic, the Law on Customs Regulation, the Tax Code, the Land Code, the Civil Code, the Law on Public-Private Partnership in the Kyrgyz Republic and many others.

There is a special law enacted in the Kyrgyz Republic to regulate investment activities: the Law on Investments in the Kyrgyz Republic.

The Kyrgyz law²¹ accords to foreign investors national treatment applied to individuals and legal entities of this country. The legislation grants broad rights and guarantees to foreign investors, including guarantees of repatriation of capital and profits, property, and data from the Kyrgyz Republic, guarantees of protection against expropriation of investment and compensation for losses incurred by investors, guarantees of use of income and freedom of monetary transactions, and other guarantees.

The Kyrgyz Republic has concluded a number of bilateral treaties on reciprocal encouragement and protection of investment (BITs). In particular, such BITs have been concluded with the following countries²²:

- The People's Republic of China (1995)²³;

21 The Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated March 27, 2003 No. 66 (with the latest amendments as of August 9, 2022, No.90).

22 In parentheses are the years on which the respective treaties came into effect in the Kyrgyz Republic, unless stated otherwise.

23 Notification letter from the People's Republic of China dated December 21, 1993, notification letter from the KR dated August 10, 1995.

- The Republic of Turkey (signed in 2018)²⁴;
- The Republic of Ukraine (signed in 1993)²⁵;
- The United States of America (1994)²⁶;
- The Republic of Armenia (1995)²⁷;
- The United Kingdom of Great Britain and Northern Ireland (1998)²⁸;
- The Republic of France (1997);
- The Islamic Republic of Iran (2005);
- The Republic of Azerbaijan (1997);
- The Federal Republic of Germany (2006);
- The Republic of Georgia (first BIT signed in 1997, second BIT signed in 2016)²⁹;
- The Republic of India (2019)³⁰;
- The Republic of Kazakhstan (signed in 1997)³¹;
- The Republic of Belarus (2001)³²;
- The People's Republic of Mongolia (signed in 1999)³³;
- The Swiss Confederation (2003)³⁴;
- The Republic of Tajikistan (2001)³⁵;
- The Kingdom of Sweden (2003);

24 Ratified by the KR Law dated January 14, 2020 No. 5.

25 Notification letter from the KR dated August 7, 1997.

26 Ratified by the Parliament Resolution dated December 11, 1993 No. 1291-XII.

27 Entered into force on November 26, 1995. Notification letter from the Republic of Armenia dated October 10, 1995, notification letter from the KR dated October 27, 1995.

28 Ratified by the KR Law of January 6, 1997 No. 5

29 Ratified by the KR Law of July 20, 2017 No. 134.

30 Not ratified.

31 Ratified by the KR Law of August 17, 2004 No. 151.

32 Ratified by the KR Law of March 3, 2000 No. 50

33 Ratified by the KR Law of July 10, 2001 No. 66.

34 Ratified by the KR Law of January 15, 2003, No. 26.

35 Ratified by the KR Law of November 20, 2001 No. 95.

- The Republic of Moldova (2004)³⁶;
- The Republic of Finland (2004)³⁷;
- The Republic of Korea (2008)³⁸;
- The Republic of Latvia (signed in 2008)³⁹;
- The Republic of Lithuania (2009)⁴⁰;
- Denmark (signed in 2001)⁴¹;
- Malaysia (signed in 1995)⁴²;
- The Islamic Republic of Pakistan (signed in 1996)⁴³;
- The Republic of Uzbekistan (signed in 1997);
- The United Arab Emirates (signed in 2014)⁴⁴;
- The State of Qatar (signed in 2014)⁴⁵;
- The State of Kuwait (signed in 2015)⁴⁶;
- The Republic of Austria (signed in 2016)⁴⁷.

The National Investment Agency under the President of the KR is the competent public authority responsible for development and implementation of investment and public-private partnership policies, coordination of mobilization of foreign investment, promotion of export and protection of investors. The National Investment Agency is directly accountable to the President of the KR.⁴⁸

36 Ratified by the KR Law of December 30, 2003 No. 251.

37 Ratified by the KR Law of August 17, 2004 No. 154.

38 Ratified by the KR Law of June 23, 2008 No. 120.

39 Ratified by the KR Law of March 4, 2009 No. 74.

40 Ratified by the KR Law of February 6, 2009, No. 38.

41 Not ratified.

42 Not ratified.

43 Ratified by the KR Law of May 23, 2002, No. 83.

44 Ratified by the KR Law of May 28, 2015, No. 119.

45 Ratified by the KR Law of May 28, 2015, No. 117.

46 Ratified by the KR Law of July 21, 2016, No. 127.

47 Ratified by the KR Law of January 25, 2017, No. 11.

48 Regulation on the National Investment Agency under the President of the Kyrgyz Republic, Annex 1 to the Presidential Edict of April 15, 2022, UP No.115.

2.2. Government Guarantees to Foreign Investors

Under Kyrgyz law,⁴⁹ the Kyrgyz Republic provides the following guarantees to foreign investors:

- National treatment, equal investment rights of domestic and foreign investors, non-interference in business affairs of investors, protection and restoration of violated rights and interests of investors in accordance with Kyrgyz law;
- Repatriation of capital and profits, proceeds from investment, property, and data from the Kyrgyz Republic;
- Protection against expropriation (nationalization, requisition, or other equivalent measures, including acts or omissions of competent government authorities of the Kyrgyz Republic resulting in forced deprivation of the investor's funds or ability to make use of investment results). In exceptional cases involving public interest, investments may be subject to forced expropriation against payment of adequate compensation for damages;
- Right to free use of the income from the investor's activities in the Kyrgyz Republic;
- Ability to make investments in any form into objects and activities not prohibited by Kyrgyz law, including the licensable activities;
- Freedom of monetary transactions (free conversion of currency, free and unrestricted money transfers; should provisions restricting money transfers in foreign currency be introduced into Kyrgyz law, these provisions will not apply to foreign investors, with the exception of cases where investors engage in illegal activities (such as money laundering);
- Free access to open-source information;
- Right to set up legal entities in any legal form provided by Kyrgyz law; to open branches and representative offices in the territory of the Kyrgyz Republic; to select any organizational and governance structure for the company, unless a different structure is explicitly required by law for the given legal form of a business entity; to acquire property (except land plots), shares, other securities, including government securities; to participate in privatization of state property, to create associations and other unions; to hire local and foreign employees in accordance with Kyrgyz law; and to take other actions related to investor's activities in the Kyrgyz Republic not prohibited by law;
- Recognition by public authorities and officials of the Kyrgyz Republic of all intellectual property rights of foreign investors;

⁴⁹ Chapter 2 of the Law of the Kyrgyz Republic on Investments in the Kyrgyz Republic dated March 27, 2003 No.66 (with the latest amendments as of August 9, 2022, No. 90 toktom://db/139625).

- In the event of making amendments to the Investment Law and the law on tax and nontax payments, the investor and the investee who meet the requirements set forth in the Investment Law will have the right, during 10 years from the date of signing the stabilization agreement, to choose such conditions as may be most favourable to them for paying taxes including value added tax but excluding other indirect taxes, and nontax payments (except fees and charges for public services) in the manner provided by Kyrgyz law. The procedure and conditions for applying stabilization regime to tax and nontax matters are established by Kyrgyz law;
- Other guarantees specifically provided in bilateral and multilateral investment treaties, to which the Kyrgyz Republic is a party.

2.3. Investment Agreement executed with the Cabinet of Ministers of the Kyrgyz Republic

The Cabinet of Minister of the Kyrgyz Republic may execute an investment agreement to implement an investment project in accordance with state programs on development of high priority economic and social sectors if the investment project is initiated by the investor. The investment agreement may be executed through direct negotiations between the Cabinet of Ministers of the Kyrgyz Republic and the investor, if the amount of investment made by the investor in the investment project is not less than USD 10 million and the investor is an internationally recognized reputable company with unique knowledge and experience in successfully implementing the projects in the similar area of practice⁵⁰.

The investment agreement concluded between the Cabinet of Ministers of the Kyrgyz Republic and the investor cannot provide reliefs and preferences that are not prescribed by the laws of the Kyrgyz Republic.

2.4. Settlement of Investment Disputes

Under Kyrgyz law,⁵¹ the parties to an investment dispute may agree on any applicable procedure for its settlement.

Failing such an agreement, the investment dispute between the public authorities and the investor

⁵⁰ Article 11-1 of the Law of the Kyrgyz Republic “On Investments in the Kyrgyz Republic” dated March 27, 2003 No.66 (with the latest amendments as of August 9, 2022, No.90).

⁵¹ Article 18 of the Law of the Kyrgyz Republic: “On Investments in the Kyrgyz Republic” dated March 27, 2003 No.66 (with the latest amendments as of August 9, 2022, No.90).

shall be settled wherever possible by consultations between the parties. If the parties do not settle amicably within 3 months from the date of the first written request for such consultation, any investment dispute between the investor and the public authorities shall be settled in the Kyrgyz courts, unless the foreign investor and the public authority agree in writing to settle the dispute in accordance with one of the following procedures by applying to:

- the International Centre for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States or under the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the ICSID; or
- arbitration or an international ad hoc arbitral tribunal (commercial court) formed under the arbitration rules of the United Nations Commission on International Trade Law.

Thus, in 2022, public offer of arbitration, previously specified in the law, was abolished. At the same time, many BITs contain clauses that offer unequivocal consent to arbitration. In addition, in 2022, the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States entered into force for the Kyrgyz Republic.

3. LEGAL STATUS OF FOREIGN NATIONALS

3.1. Visa and Registration Requirements

Under Kyrgyz law,⁵² foreign nationals and stateless persons intending to enter and stay in the Kyrgyz Republic as temporary or permanent residents require a visa or temporary or permanent residence permit.

Visa and Visa-Free Regimes

All categories of visas are issued by diplomatic missions and consular offices of the Kyrgyz Republic.

Below is a list⁵³ of the foreign countries whose nationals are eligible for simplified visa regime. The Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic of March 15, 2017 No. 155 with the latest amendments as of October 10, 2023 No.541 provides that nationals of foreign countries included in this list are eligible for simplified visa procedure for short-term stay⁵⁴:

- Australia, the Republic of Austria, the Kingdom of Belgium, the Republic of Bulgaria, Bosnia and Herzegovina, the United Kingdom of Great Britain and Northern Ireland, the Republic of Hungary, the Federal Republic of Germany, the Hellenic Republic, the Kingdom of Denmark, the State of Israel, the Republic of Ireland, the Republic of Iceland, the Kingdom of Spain, the Italian Republic, Canada, the Republic of Cyprus, the Republic of Korea, the Republic of Lithuania, the Republic of Latvia, the Principality of Liechtenstein, the Grand Duchy of Luxembourg, the Republic of Macedonia, the Republic of Malta, Monaco, the Netherlands, the Kingdom of Norway, New Zealand, the Republic of Poland, the Portuguese Republic, the Republic of Romania, the Republic of Serbia, the Republic of Slovenia, Singapore, the Slovak Republic, the United States of America, the Republic of Turkey, the Republic of Finland, the French Republic, the Republic of Croatia, the Republic of Montenegro, the Czech Republic, the Swiss Confederation, the Kingdom of Sweden, the Republic of Estonia, Andorra, Argentina, Brazil, Vatican City, Vietnam, the Kingdom of Thailand, the Kingdom of Saudi Arabia, Mexico, the United Arab Emirates, San Marino, the Philippines, the

⁵² The Law of the Kyrgyz Republic "On External Migration" dated July 17, 2000, No.61 (with the latest amendments as of February 16, 2023, No. 32).

⁵³ Resolution of the Government of the Kyrgyz Republic on Approval of List of Foreign States whose Nationals are Eligible for Simplified Visa Regime dated October 10, 2023 No.541 (with the latest amendments as of January 12, 2024, No.7).

⁵⁴ Regulation on Procedure for Stay of Foreign Nationals in the Kyrgyz Republic, approved by Government Resolution No. 541 of October 10, 2023 (as last amended on January 12, 2024, No. 7).

Republic of Albania, the State of Brunei Darussalam, the Republic of Indonesia, the Republic of South Africa, the Republic of Chile, the Bolivarian Republic of Venezuela, the State of Qatar, the State of Kuwait, the Sultanate of Oman, the Kingdom of Bahrain, Japan, the Islamic Republic of Iran (*), the People's Democratic Republic of Algeria (**), the People's Republic of Bangladesh (**), the Arab Republic of Egypt (**), the Republic of India (**), the Hashemite Kingdom of Jordan (**), the Lebanese Republic (**), the Kingdom of Morocco (**), the Federal Democratic Republic of Nepal (**), the Islamic Republic of Pakistan (**), the Tunisian Republic (**), the Democratic Socialist Republic of Sri Lanka (**), the Republic of Yemen (**).

* only entry/exit business or tourist visas.

** only entry/exit tourist visas (up to 1 month) for foreign nationals with valid residence permits (resident cards) of the following foreign countries: the United Arab Emirates, the Kingdom of Saudi Arabia, the State of Kuwait, the State of Qatar, the State of Brunei Darussalam, the Sultanate of Oman and the Kingdom of Bahrain.

Visa-free regime applies to nationals of the following countries in accordance with Kyrgyz law⁵⁵ and international agreements to which the Kyrgyz Republic is a party:

- Visa-free entry for a stay of up to 60 days for nationals of: the Commonwealth of Australia, the Republic of Austria, the Kingdom of Belgium, Bosnia and Herzegovina, the Vatican, the United Kingdom of Great Britain and Northern Ireland, Hungary, the Federal Republic of Germany, the Netherlands, the Hellenic Republic, the Kingdom of Denmark, Iceland, Ireland, the Kingdom of Spain, the Italian Republic, Canada, the Republic of Korea, Kuwait, the Republic of Latvia, the Republic of Lithuania, the Principality of Liechtenstein, the Grand Duchy of Luxembourg, the Republic of Malta, Monaco, New Zealand, Norway, the United Arab Emirates, the Republic of Poland, the Portuguese Republic, the Kingdom of Saudi Arabia, the Republic of Singapore, the Slovak Republic, the Republic of Slovenia, the United States of America, the Republic of Finland, the French Republic, the Republic of Croatia, the Czech Republic, the Swiss Confederation, the Kingdom of Sweden, the Republic of Estonia, the State of Qatar, the State of Brunei Darussalam, the Kingdom of Bahrain, Japan, Montenegro, the Principality of Andorra, the Republic of Argentina, the Federative Republic of Brazil, the Republic of San Marino, the Republic of Chile, the Sultanate of Oman, the Republic of Albania, the Republic of Bulgaria, the Socialist Republic of Vietnam, the State of Israel, the Republic of Cyprus, the Republic of Northern Macedonia, the Republic of

⁵⁵ The Law of the Kyrgyz Republic "On Introduction of 60-day Visa-free Regime for Nationals of Some States" dated July 21, 2012 No. 121 (with the latest amendments as of July 21, 2021, No. 85).

Romania, the Kingdom of Thailand, the United Mexican States;

- Visa-free entry for holders of all categories of passports of: the Republic of Armenia⁵⁶, the Republic of Azerbaijan⁵⁷, the Republic of Belarus⁵⁸, the Republic of Cuba⁵⁹, the Republic of Georgia⁶⁰, the Republic of Kazakhstan⁶¹, the Democratic People's Republic of Korea⁶², Malaysia⁶³ (up to 30 days), the Republic of Moldova⁶⁴, Mongolia⁶⁵ (up to 90 days), the Russian Federation⁶⁶, the Republic of Tajikistan⁶⁷, the Republic of Ukraine⁶⁸ (up to 90 days), the Republic of Uzbekistan⁶⁹ (up to 60

56 Agreement on visa-free travel of nationals of CIS member states within their borders, signed in Bishkek on October 9, 1992.

57 Agreement on visa-free travel of nationals of CIS member states within their borders, signed in Bishkek on October 9, 1992.

58 Agreement on reciprocal visa-free trips of nationals among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

59 Agreement on terms of reciprocal visa-free trips of nationals between the Governments of the USSR and the Republic of Cuba of January 10, 1985.

60 Agreement on visa-free travel of nationals of CIS member states within their borders, signed in Bishkek on October 9, 1992.

61 Agreement on reciprocal visa-free trips of nationals among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

62 Agreement on reciprocal visa-free trips of nationals between the Governments of the USSR and the Democratic People's Republic of Korea of January 22, 1986.

63 Agreement on partial visa abolition between the Governments of the Kyrgyz Republic and Malaysia, signed in Kuala Lumpur on July 20, 1995.

64 Agreement on visa-free travel of nationals of CIS member states within their borders, signed in Bishkek on October 9, 1992.

65 Agreement on terms of reciprocal trips of nationals between the Governments of the Kyrgyz Republic and Mongolia signed in Bishkek on December 4, 1999.

66 Agreement on reciprocal visa-free trips of nationals among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

67 Agreement on reciprocal visa-free trips of nationals among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

68 Agreement on reciprocal visa-free trips of nationals between the Government of the Kyrgyz Republic and the Cabinet of Ministers of Ukraine signed in Kiev on February 25, 2004.

69 Agreement on reciprocal visa-free trips of nationals between the Governments of the Kyrgyz Republic and the Republic of Uzbekistan signed in Tashkent on October 3, 2006.

days), the Turkish Republic⁷⁰ (only for tourist, business and official purposes), Vietnam⁷¹, the Lao People's Democratic Republic⁷²;

- Visa-free entry for holders of diplomatic and service passports of: the Republic of Hungary⁷³, the Islamic Republic of Pakistan⁷⁴, the Islamic Republic of Iran⁷⁵ (up to 30 days for holders of service passports), the People's Republic of China⁷⁶, Turkmenistan⁷⁷, the Slovak Republic (up to 30 days)⁷⁸, the Republic of Uzbekistan (up to 60 days), Singapore, the Republic of Korea (up to 30 days)⁷⁹, the Republic of Indonesia⁸⁰, the Republic of India (up to 90 days)⁸¹, the Republic of Poland (up to 90 days in any 180-day period), the State of Kuwait (not exceeding 90 days within any 60-month period), the State of Qatar (up to 90 days)⁸², the Kingdom of Morocco (up to 90 days in any 180-day

70 Agreement on reciprocal visa-free trips of nationals between the Governments of the Kyrgyz Republic and the Turkish Republic signed in Ankara on April 26, 2011.

71 Agreement on terms of reciprocal visa-free trips of nationals between the Governments of the Kyrgyz Republic and the Socialist Republic of Vietnam signed on July 15, 1981.

72 Agreement on visa-free regime for nationals of both states traveling on business with diplomatic or service passports between the Governments of the USSR and the Lao People's Democratic Republic, signed on December 20, 1984.

73 Agreement on visa-free regime for holders of diplomatic and service passports between the Governments of the Kyrgyz Republic and the Republic of Hungary signed in Bishkek on November 1, 1997.

74 Agreement on visa-free regime for holders of diplomatic and service passports between the Governments of the Kyrgyz Republic and the Islamic Republic of Pakistan signed in Bishkek on March 8, 2005.

75 Memorandum of Understanding on visa-free regime for holders of service passports between the Governments of the Kyrgyz Republic and the Islamic Republic of Iran signed in Teheran on December 21, 2003.

76 Agreement on reciprocal visa-free trips of nationals between the Governments of the Kyrgyz Republic and the People's Republic of China signed in Beijing on June 24, 2002.

77 Agreement on reciprocal visa-free trips of nationals between the Governments of the Kyrgyz Republic and Turkmenistan signed in Ashgabat on March 6, 2000.

78 Agreement on reciprocal visa exemption for holders of diplomatic passports between the Governments of the Kyrgyz Republic and the Slovak Republic signed in Bishkek on April 1, 2010.

79 Agreement on visa-free regime for holder of diplomatic and service passports between the Governments of the Kyrgyz Republic and the Republic of Korea signed in Seoul on November 30, 2010.

80 Agreement on visa-free regime for holders of diplomatic and service passports between the Governments of the Kyrgyz Republic and the Republic of Indonesia signed in New York on September 23, 2011.

81 Agreement on visa-free regime for holders of diplomatic, official and service passports between the Governments of the Kyrgyz Republic and the Republic of India signed in Bishkek on July 19, 2013.

82 Agreement on visa exemption for holders of diplomatic and special passports between the Governments of the Kyrgyz Republic and the State of Qatar signed in Doha on December 8, 2014.

period)⁸³, the Italian Republic (up to 90 days in any 180-day period)⁸⁴, the French Republic (up to 90 days in any 180-day period)⁸⁵, the Republic of Estonia (up to 90 days).

Visa Categories⁸⁶

- Diplomatic visas (issued to foreign nationals holding diplomatic passports and entering the Kyrgyz Republic for official purposes) – type D;
- Official visas (issued to foreign nationals holding service/official passports and entering the Kyrgyz Republic for official purposes) – type O;
- Business visas (issued to foreign nationals entering the Kyrgyz Republic for business purposes) – type B;
- Special work visas (issued to journalists and correspondents and employees of charitable foundations implementing projects in the Kyrgyz Republic) - type SW;
- Investment visas (issued to investors or heads of foreign investment companies engaged in investment activities in the Kyrgyz Republic and producing all necessary documents confirming the investment of cash or valuable property in the economy of the Kyrgyz Republic for industrial or agricultural production, banking, energy, education, healthcare, planning and construction, information and communication technology purposes) - type I; The investment visa can be issued for a stay of:
 - 5 years, if the applicant invests at least 10 million soms in cash or valuable property in the economy of the country;
 - 10 years, if the applicant invests at least 20 million soms in cash or valuable property in the economy of the country.
- Tourist visas (issued to visitors intending to enter the Kyrgyz Republic as tourists for various private purposes, including to visit friends or to receive medical services, without the right to work or engage in business or other profit-making activities in the Kyrgyz Republic, for a stay of up to 60 days per one entry and exit) – type TS;

⁸³ Agreement on visa exemption for holders of diplomatic and service passports between the Governments of the Kyrgyz Republic and the Kingdom of Morocco, signed in Rabat on March 30, 2017.

⁸⁴ Agreement on reciprocal short-term visa exemption for holders of diplomatic passports between the Governments of the Kyrgyz Republic and the Italian Republic signed in Paris on April 15, 2016.

⁸⁵ Agreement on reciprocal visa exemption for holders of diplomatic passports signed in Bishkek on March 30, 2016.

⁸⁶ Categories and types of visas defined by the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic of March 15, 2017 No. 155 with the latest amendments as of October 10, 2023, No. 541.

- Work visas (issued to visitors intending to work or engage in business activity in the Kyrgyz Republic). The work visa allows entry to the Kyrgyz Republic for a stay of up to 60 days without the right to work or engage in business activity. The work visas shall be issued by the consular department of the Ministry of Foreign Affairs of the Kyrgyz Republic and the plenipotentiary representative office of the MFA in the Kyrgyz Republic to visitors who received work permits and shall be valid for the term of the work permit, but not more than 1 year - type W;
- Student visas (issued to visitors entering the Kyrgyz Republic to study, for a stay of up to 90 days) – type S;
- Special Meiman (guest) visas (issued to visitors entering the Kyrgyz Republic for business or private purposes at the instruction of the President, the Chairman of the Cabinet of Ministers, or the Minister of Foreign Affairs of the Kyrgyz Republic, for a stay of not more than 1 year) – type SG;
- Tuugandar (relatives) visas (issued to visitors entering the Kyrgyz Republic to visit close relatives or reunite with family members for a stay of up to 1 year). Where necessary, the visitors recognized as refugees, if confirmed by documentary evidence, may be granted a single-entry relatives visa in consultation with the national security authorities, for a stay of up to 60 days – type RL;
- Meken (fatherland) visas (issued to ethnic Kyrgyz and persons born in the Kyrgyz Republic or Kyrgyz SSR who intend to visit or repatriate to the Kyrgyz Republic, for a stay of up to 1 year, with the right to obtain the Kairylman⁸⁷ (repatriate) status) – type M;
- Mountain tourism visas (issued to visitors intending to enter the Kyrgyz Republic for mountain tourism purposes (alpinism, snowboarding, trekking, rafting, mountain biking, heli-skiing, rock climbing, ice climbing, freeriding, skiing and other types of mountain tourism), for a stay of up to 90 days) – type MT;
- Religious visas (issued to visitors intending to enter the Kyrgyz Republic as missionaries for cooperation with religious organizations with the consent of the public authority of the Kyrgyz Republic for religious affairs, for a stay of up to 60 days) – type R;
- Foreign family member visas (issued to family members (spouses, children under 18, parents of underage children, children with disabilities, or dependent parents) of visitors holding official (type O), investment (type I), work (types W), special work (type SW), relatives (type RL), or student (type S) visas and residence permits or registration at the place of stay (for nationals of visa exempt countries) or repatriate status, for a stay of up to 1 year, without the right to work or engage in business or other profit-making activity in the Kyrgyz Republic). Visa applications for

⁸⁷ Kairylman means an ethnic Kyrgyz (person of Kyrgyz origin) who is a foreign national or stateless person, voluntarily moving to the Kyrgyz Republic and having the repatriate status.

- family members of the visitor holding the investment visa (type I) are free of charge – type FF;
- Transit visas (issued to visitors transiting through the Kyrgyz Republic to any third countries, for a stay of up to 5 days) – type TR;
 - Truck Driver visas (issued to visitors entering the Kyrgyz Republic by truck for providing international cargo transportation services, for a stay of up to 6 months, provided that the visitor stays in the Kyrgyz Republic for not more than 30 days per trip, unless otherwise provided by the international agreement of the Kyrgyz Republic or the principles of reciprocity) – type T;
 - Leave visas (issued to applicants for leaving the Kyrgyz Republic for a period of up to 10 days, in cases specified in the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic) – type L;
 - Digital nomad visas (issued to visitors entering the Kyrgyz Republic to engage in ICT and software product development activities at the request of the competent authority for digitalization and e-governance policy, or holding the Digital nomad status, for a stay of up to 6 months) – type DN.

A visa may be issued for a single entry or multiple entries. A foreign national applying for a visa shall be charged a consular fee at the rate determined by the Cabinet of Ministers of the Kyrgyz Republic.⁸⁸

Since March 15, 2017, it is possible to apply for electronic visa (E-visa)⁸⁹ through the online visa application portal on the official website of the Unified Recordkeeping System for External Migration (URSEM).

The special readable code contains information about e-visa, its category, validity and multiplicity, and the applicant who receives an electronic visa, may, where necessary, print it on A-4 white paper sheet. Consular fees for e-visas are to be paid by bank cards.

Upon arrival at the international checkpoint, a holder of an electronic visa must produce a travel document for which the electronic visa was issued to border personnel who check e-visa validity through the URSEM.

Visa processing, issuance and extension period is not more than 7 and not less than 5 business days from the date of receiving duly executed documents. The list of documents required for visas of the

⁸⁸ Resolution on consular fees No. 839 of the Government of the Kyrgyz Republic dated December 18, 2012 as amended by Resolution of the Cabinet of Ministers No.541 of October 10, 2023.

⁸⁹ An electronic visa is a documentary proof equivalent to visa, issued by the CSD to a foreign national or stateless person online, including through the Internet, having a special machine-readable code, and permitting to enter into, stay in, exit from and transit through the Kyrgyz Republic.

Kyrgyz Republic is determined by the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic.

Residence Permit

A Kyrgyz residence permit is a document allowing foreign nationals and stateless persons to, temporarily or permanently, reside, stay, enter or exit from the Kyrgyz Republic visa free.

Under Kyrgyz law⁹⁰, foreign nationals or stateless persons residing in the Kyrgyz Republic for not less than 6 months may file an application for residence permit in prescribed form with the Department of Civil Status, Passports and Registration of Population under the State Registration Service under the Ministry of Justice of the Kyrgyz Republic (the "Department") or its local offices closest to the place of residence.

A temporary residence permit is issued to foreign nationals or stateless persons intending:

- to work in the Kyrgyz Republic;
- to study in an educational institution at the request of this educational institution and the Kyrgyz Ministry of Education and Science;
- to pursue investment activities in the Kyrgyz Republic.

The temporary residence permit is issued to foreign nationals and stateless persons for a term of 1 year with the possibility of subsequent extension for not more than 5 years.

The general review period for temporary residence permits of foreign nationals (except those of states bordering the Kyrgyz Republic) who have invested in the economy of the Kyrgyz Republic over 10,000,000 (ten million) soms is not more than 14 business days, for others - 1 month.

The temporary residence permits are issued in the local offices of the Department.

A permanent residence permit is issued to:

- Those who have duly received the Kyrgyz permanent residence permit, including those who returned to the Kyrgyz Republic whose Kyrgyz citizenship has been terminated in accordance with law;
- Those who permanently reside in the Kyrgyz Republic but have not received Kyrgyz citizenship or

⁹⁰ Regulation on procedure for issuing temporary and permanent residence permits to foreign nationals and stateless persons in the Kyrgyz Republic approved by Resolution No. 626 of the Government of the Kyrgyz Republic dated November 13, 2008 (with the latest amendments as of November 16, 2022, No.627).

whose Kyrgyz citizenship has been terminated in accordance with law;

- Foreign nationals or stateless persons permanently residing in the Kyrgyz Republic upon the attainment of 18 years of age.

Foreign nationals are granted permanent residence permits for a term of 5 years, but not beyond the validity period of the foreign passport, and upon the attainment of 45 years of age, for the entire validity period of the foreign passport. Stateless persons are granted permanent residence permits for a term of 5 years, and upon the attainment of 45 years of age, for an unlimited term.

The review period for permanent residence permits is 1 year from the date of filing the application.

The permanent residence permits are given out in the Department or its local offices.

Upon receipt of the residence permit, foreign nationals or stateless persons must, within 5 business days, apply for registration with the local offices of the Department closest to the place of temporary or permanent residence.

Digital Nomad

In September 2022, the Cabinet of Ministers of the Kyrgyz Republic initiated a pilot project on awarding the Digital Nomad status to foreign nationals.⁹¹ The project aims to create a favourable environment for modern creative people named “Digital Nomads”, to promote innovative projects and high-tech sectors of the economy, to attract highly qualified foreign ICT and creative industry professionals to the Kyrgyz Republic. The project will continue until June 30, 2024.

The Digital Nomad status allows a foreign national to enter and stay in the Kyrgyz Republic without a visa, registration and work permits.

Applicants for the Digital Nomad status must be the nationals of Azerbaijan, Russia, Moldova, Kazakhstan, Armenia, Belarus, the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Federal Republic of Germany, Japan, the Republic of Korea, the Republic of India, carrying out activities in the field of:

- Development of software, analysis, design and programming of information systems and software products, analysis of information needs and problems of users;
- Design and development, supply and documenting of software, making changes to software as

⁹¹ The Cabinet of Ministers Resolution No. 464 “On Pilot Project on Assigning the Digital Nomad Status to Foreign Nationals”, August 18, 2022.

per requests from the user;

- Export of information technologies, information systems and software;
- Media art, including digital art, creation of virtual, augmented and mixed reality, 3D design;
- Animation, graphic design, multimedia design;
- Programming, development of IT products, robotics and artificial intelligence;
- Creation of computer and mobile games, e-sports.

Registration Procedure

The list of foreign nationals and stateless persons exempt from registration at the place of stay, foreign affairs authority, public registration authority, or hotels and the period of exemption are approved by the Cabinet of Ministers of the Kyrgyz Republic.⁹² Non-exempt foreign nationals and stateless persons⁹³ must register within 5 business days from the moment of crossing the state border of the Kyrgyz Republic for the period and in the manner approved by the Cabinet of Ministers of the Kyrgyz Republic⁹⁴. The renewal of registration of non-exempt foreign nationals must be made after the extension of visa. In such case, foreign nationals and stateless persons must apply, within 3 business days from the date of visa extension, to the competent authority for registration of foreign nationals, or pass the registration procedure on the website of online registration of foreign nationals and stateless persons.

When registering foreign nationals and stateless persons, employees of the competent authority for registration of population accept documents for assigning a personal identification number to foreign nationals and stateless persons.

To work in the Kyrgyz Republic, foreign nationals or stateless persons must have a work permit. For more details on work permits for foreign nationals refer to Section 10.

⁹² Government Resolution approving the procedure for registration of foreign nationals and stateless persons in the Kyrgyz Republic No. 689, December 19, 2016 (with the latest amendments as of October 10, 2023, No.541).

⁹³ List of exempt foreign nationals and stateless persons and exemption period attached as Annex 1 to the Resolution of the Government of the Kyrgyz Republic "On issues of registration of foreign nationals and stateless persons in the Kyrgyz Republic" dated December 19, 2016 No. 689 (with the latest amendments as of October 10, 2023, No.541).

⁹⁴ Procedure for registration of foreign nationals and stateless persons in the Kyrgyz Republic approved by Government Resolution No. 689, December 19, 2016 (with the latest amendments as of July 12, 2023, No. 349).

3.2. Basic Rights, Freedoms, and Obligations of Foreign Nationals

On the whole, foreign nationals in the Kyrgyz Republic enjoy the same rights and bear the same obligations as the nationals of the Kyrgyz Republic.⁹⁵ Foreign nationals are equal before the law, regardless of gender, race, language, disability, ethnicity, religion, age, political or other beliefs, education, national origin, social standing, property or other status, and other circumstances.

Foreign nationals have the right to work if this is compatible with the purpose and duration of their stay in the Kyrgyz Republic, or if they have received a respective permission, except for the nationals of the Eurasian Economic Union member states.⁹⁶

Foreign nationals permanently residing in the Kyrgyz Republic have the right to social welfare and healthcare, and may join public associations of non-political purposes on the same grounds as nationals of the Kyrgyz Republic, unless otherwise provided in charters (bylaws) of such associations.

Foreign nationals have the same right to leisure as nationals of the Kyrgyz Republic, enjoy cultural benefits and have property and personal non-property rights and all other rights in the same way as nationals of the Kyrgyz Republic.

Foreign nationals can freely move throughout the territory of the Kyrgyz Republic and choose a place of residence in the manner provided by Kyrgyz law. In which case, they are guaranteed inviolability of the person and dwelling.

Foreign nationals in the Kyrgyz Republic have the right to apply to the court and other government authorities for protection of their personal, property, family and other rights. They enjoy the same litigation rights as Kyrgyz nationals.

Foreign nationals who commit crimes, administrative or other legal offences in the territory of the Kyrgyz Republic are subject to the same liability as Kyrgyz nationals.

A foreign national staying in the Kyrgyz Republic is provided with the opportunity to contact the diplomatic or consular mission of his own country, or if such is not available, the diplomatic or consular mission of another country authorized to protect the rights and legal interests of nationals of his country of nationality.

⁹⁵ The Law of the Kyrgyz Republic "On Legal Status of Foreign Nationals in the Kyrgyz Republic" dated December 14, 1993 No. 1296-XII (with the latest amendments as of June 30, 2023, No. 129).

⁹⁶ Treaty on Eurasian Economic Union dated May 29, 2014 (with the latest amendments as of November 21, 2023).

The latest amendments to the Law of the Kyrgyz Republic "On Legal Status of Foreign Nationals in the Kyrgyz Republic" introduced a new concept of "compatriot with foreign citizenship", which applies to foreign nationals who previously were Kyrgyz nationals and received the status of compatriot with foreign citizenship.

The status of compatriot with foreign citizenship can also be assigned to the following persons:

- foreign nationals who are children or grandchildren of a foreign national who previously was a Kyrgyz national, regardless of their initial Kyrgyz nationality;
- foreign nationals who are children or grandchildren of Kyrgyz nationals, regardless of their initial Kyrgyz nationality;
- foreign nationals born in the Kirghiz SSR, as well as their children and grandchildren.

The status of compatriot with foreign citizenship cannot be assigned to nationals of the states bordering the Kyrgyz Republic.

Compatriots with foreign citizenship have the right to:

- enter, exit, transit, move and stay in the territory of the Kyrgyz Republic without a visa under one of the valid documents, in the presence of the document of compatriot with foreign citizenship;
- permanently reside in the Kyrgyz Republic without a residence permit. A compatriot with foreign citizenship is equated to a foreign national permanently residing in the Kyrgyz Republic, regardless of the length of stay in the Kyrgyz Republic;
- work in enterprises, institutions and organizations or engage in other employment on the grounds and in the manner prescribed for Kyrgyz nationals without a work visa and work permit issued by the competent government authorities;
- pay for commercial health and education services on the same terms as Kyrgyz nationals under the laws of the Kyrgyz Republic.

A compatriot with foreign citizenship may not hold state and municipal posts of the Kyrgyz Republic.

4. FORMS OF BUSINESS

4.1. Branches and Representative Offices of Foreign Legal Entities

Branches and representative offices of foreign companies are not regarded as legal entities of the Kyrgyz Republic. They are not regarded as independent participants of civil turnover and may enter into civil, labour, tax and other legal relations only on behalf of the founding company. Liability for activities of the branch or representative office is borne by the founding company. Branches and representative offices are endowed with the property of their founding companies, and act on the basis of the approved bylaws. Kyrgyz law distinguishes between branches and representative offices.

The functions of representative offices are limited to representing a foreign legal entity and protecting its interests, performing transactions and other legal actions on its behalf. Branches perform all or part of the functions of the foreign founding company, including representation. The heads of the branches / representative offices act under a power of attorney issued by the foreign legal entity.

Under Kyrgyz law, branches and representative offices may, on behalf of the founding company, do the following:

- open bank accounts and execute payments in any currency;
- hire local employees;
- hire foreign employees and respectively, obtain work permits for them;
- enter into any contractual relations with local and foreign companies and execute/assume obligations under any agreements related to payments in local or foreign currency; and
- acquire movable or immovable property into ownership or for use;
- exercise other rights provided by Kyrgyz law.

Kyrgyz law imposes a number of restrictions with respect to branches and representative offices. Thus, a branch or representative office may only exist as long as their parent company exists. Also, a branch and representative office may not obtain the license to engage in certain activities or provide certain services.

State Registration of Branches and Representative Offices

Branches and representative offices located in the Kyrgyz Republic are subject to mandatory state registration.

On April 3, 2023, there was enacted the Regulation on the procedure for registration of legal entities, branches and representative offices approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic of March 31, 2023, No. 178.

The procedure for registration of branches (representative offices) established by the Regulation on the procedure for registration of legal entities, branches and representative offices does not differ much from the one set out in the Law of February 20, 2009, which was repealed. State registration of branches and representative offices of foreign legal entities is carried out by the Ministry of Justice of the Kyrgyz Republic or its local offices. To register a branch or representative office, an applicant must submit the following documents⁹⁷:

- Application for registration in the prescribed form;
- Resolution of the authorized body of the legal entity to establish the branch or representative office;
- Copy of the certificate of state registration (re-registration), if the founder is a legal entity registered under Kyrgyz law);
- Legalized/apostilled⁹⁸ excerpt from the trade register or other certificate of good standing, if the founder is a foreign legal entity);
- Copy of passport (or other identity document acceptable under Kyrgyz law) of an individual acting as the head of the branch or representative office;
- Power of attorney for a representative to represent a legal entity before the Ministry of Justice of the Kyrgyz Republic and its local offices;
- Copy of passport (or other identity document acceptable under Kyrgyz law) of an individual acting as a representative of a legal entity;
- Consent of the owner (user) or respective lease or other agreement.

Setting up a branch or representative office of a foreign or local bank or other financial institution, requires written consent of the National Bank of the Kyrgyz Republic or its local office.

97 Point 78 of the Regulation on the procedure for state registration of legal entities, branches (representative offices) approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 178 of March 31, 2023.

98 Document legalization is carried out by the Kyrgyz consulates in respective foreign states or, where no such consulates exist, by the consular service of the MFA of the Kyrgyz Republic, subject to prior legalization by the accredited diplomatic mission or consulate of the respective foreign state. Under Kyrgyz Law dated November 16, 2009 No.296, the Kyrgyz Republic has acceded to the Hague Convention abolishing the requirement of legalization for foreign public documents, October 5, 1961.

To register a branch (representative office) of a financial institution, foreign company or international organization, an applicant must additionally submit the following documents to the registering authority:

- approved bylaws of the branch (representative office) in 2 copies;
- copies of foundation documents of a financial institution, foreign company or international organization that adopted a resolution to set up a branch (representative office).

Liquidation of Branches and Representative Offices

To liquidate a branch or representative office, an applicant must submit the following documents to the registering authority:⁹⁹

- Application for registration in prescribed form;
- Resolution of the authorized body of a legal entity or court order to liquidate the branch or representative office;
- Certificate of state registration (re-registration) of a branch or representative office registered before the entry into force of the Regulation;
- Seals and/or stamps (if any);
- Proof of payment of registration fee.

To liquidate a branch or representative office of a foreign legal entity, an applicant must additionally submit the following documents:

- Certificate of no outstanding tax and social security liabilities;
- Bylaws of a branch (representative office), if established by a financial institution, foreign company or international organization).

State registration of branches and representative offices, as well as registration of their liquidation, falls within the competence of the Ministry of Justice of the Kyrgyz Republic and its local offices.

4.2. Legal Entities

There are various legal forms of business in the Kyrgyz Republic, the most common of which are:

- Limited liability companies; and
- Joint stock companies (open or closed).

⁹⁹ Point 92 of the Regulation on the procedure for state registration of legal entities, branches (representative offices) approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 178 of March 31, 2023.

The key legal acts regulating activities of legal entities are the Civil Code of the Kyrgyz Republic,¹⁰⁰ the Law of the Kyrgyz Republic “On Business Partnerships and Companies”, and the Law of the Kyrgyz Republic “On Joint Stock Companies”.¹⁰¹

Limited Liability Companies

A limited liability company (LLC) is one of the most widespread types of legal entities in the Kyrgyz Republic, having a number of advantages:

- The members of an LLC are not liable for its obligations and bear the risk of loss related to the company’s operations within the limits of their respective contributions; and
- The structure and scope of competence of the governing bodies of an LLC are less regulated by the legislation, which makes it more flexible in terms of management and decision-making.

The minimum charter capital of an LLC is KGS 1 (approximately USD 0.011 as of February 2024).

It should be noted that under Kyrgyz law,¹⁰² a single-member LLC may not be owned by another single-member business entity.

The number of members of an LLC may not exceed 30; otherwise, the LLC will be reorganized into a joint stock company within 1 year. If an LLC fails to comply with this requirement, it will be subject to liquidation by court order.

Joint Stock Companies

A joint stock company is another popular form of a legal entity since its shareholders are not liable for obligations of the company and bear the risk of loss related to the company’s operations within the limits of the value of shares owned by them.

A joint stock company must issue shares denominated in the national currency of the Kyrgyz Republic, regardless of the form of original contribution. Apart from the shares, joint stock companies may

¹⁰⁰ The Civil Code of the Kyrgyz Republic dated May 8, 1996 No. 15, Part I (with the latest amendments as of April 11, 2023, No. 86) and the Civil Code of the Kyrgyz Republic dated January 5, 1998, No.1, Part II (with the latest amendments as of October 5, 2023, No. 185).

¹⁰¹ The Law of the Kyrgyz Republic on Business Partnerships and Companies of November 15, 1996 No. 60 (with the latest amendments as of February 16, 2023, No.33) and the Law of the Kyrgyz Republic “On Joint Stock Companies” dated March 27, 2003 No. 64 (with the latest amendments as of October 5, 2023, No. 185).

¹⁰² Article 128 of the Civil Code of the Kyrgyz Republic No. 15 of May 8, 1996, Part I (with the latest amendments as of April 11, 2023, No. 86).

issue other securities (such as debenture bonds) to raise working capital.

Under Kyrgyz law,¹⁰³ a single member/shareholder-company may not act as the sole founder/shareholder of a joint stock company.

The minimum charter capital of a joint stock company is KGS 100,000 (approximately USD 1,120 as of February 2024). As of the date of founding a joint stock company, the charter capital must be fully paid in and distributed among the founders.

There are two types of joint stock companies in the Kyrgyz Republic: open and closed.

A closed joint stock company is a joint stock company whose shares may only be distributed among its founders or other predetermined group of persons. A closed joint stock company may not carry out a public/open placement of shares or otherwise offer them to an unlimited group of persons. The number of shareholders in a closed joint stock company may not exceed 50. If the number of shareholders in a closed joint stock company exceeds 50, the company will be reorganized into an open joint stock company within 1 year. Upon expiration of this period, the company will be subject to liquidation by court order. Shareholders of a closed joint stock company have pre-emptive right to purchase shares offered for sale by other shareholders of the same company.

An open joint stock company is a joint stock company whose shareholders may dispose of their shares without the consent of other shareholders. An open joint stock company may carry out open subscription to the shares issued by it and may freely sell them on the terms provided by law. An open joint stock company that has 500 shareholders or more and has carried out at least one public/open placement of securities must annually, within 2 months after the last annual meeting of shareholders, but no later than June 1st of the year following the reporting year, publish in the media an annual report on its financial and business performance. In exceptional cases connected with the introduction of a state of emergency, emergency situation and/or force majeure circumstances, a different date of publication of annual report on financial and business performance of the company may be set by decision of the Cabinet of Ministers of the Kyrgyz Republic.

4.3. State Registration of Legal Entities

In the Kyrgyz Republic, legal entities can be regarded as such after their state registration with the Ministry of Justice of the Kyrgyz Republic or its local offices.

¹⁰³ Article 143 of the Civil Code of the Kyrgyz Republic No. 15 of May 8, 1996, Part I (with the latest amendments as of April 11, 2023, No. 86).

On April 3, 2023, the Regulation on the procedure for registration of legal entities, branches and representative offices approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 178 of March 31, 2023, came into force.

The procedure for registration of legal entities established by the Regulation on the procedure for registration of legal entities, branches (representative offices) is not much different from the procedure defined by the Law of February 20, 2009, which is no longer in force.

State registration of legal entities, branches or representative offices in the Kyrgyz Republic is based on “registration by notification” and the “one-stop-shop” practice. State registration of a legal entity takes 3 business days (statutory period) for regular fee, or 1 business day, 6 hours or 3 hours for extra fee, from the date of filing the necessary documents.¹⁰⁴

To register a legal entity, an applicant must submit the following documents:¹⁰⁵

1. Application for registration in prescribed form;
2. Resolution of the founder(s) to establish a legal entity;
3. Copy of the certificate of state (re)registration, if the founder is a legal entity registered under Kyrgyz law;
4. Legalized/apostilled excerpt from the trade register or other certificate of good standing, if the founder is a foreign legal entity;
5. Copy of passport (or other identity document acceptable under Kyrgyz law) of an individual acting as the head of the legal entity;
6. Power of attorney for a representative to represent the established legal entity before the Ministry of Justice of the Kyrgyz Republic and its local offices;
7. Copy of passport (or other identity document acceptable under Kyrgyz law) of an individual acting as a representative;
8. Consent of the owner (user) or respective lease or other agreement.

State registration of banks and other financial institutions requires written consent of the National Bank or its local office.

¹⁰⁴ State registration of financial institutions, non-commercial organizations, as well as branches or representative offices of financial institutions, foreign and international organizations, must be completed within 10 calendar days (statutory period) or 3 business days or 6 hours (for extra fee) from the date of submitting necessary documents to the registering authority.

¹⁰⁵ Point 47 of the Regulation on the Procedure for State Registration of Legal Entities, Branches (Representative Offices).

To register a non-commercial entity, an applicant must additionally submit to the registering authority the following documents:

- Charter, in two copies, signed by the chief executive of a non-commercial entity;
- List of members of governing bodies of a non-commercial entity stating their full name, year of birth, and elective position;
- List of founders of a non-commercial entity or list of individuals acting as initiators (for homeowner partnerships) stating their full name, year of birth, and address.

To register a financial institution, an applicant must additionally submit to the registering authority the following documents:

- Charter signed by the head of the financial institution in 2 copies;
- Foundation agreement of the financial institution signed by all its founders in 2 copies.

4.4. Business Reorganization and Restructuring

Reorganization of a legal entity (merger, acquisition, split-up, spin-off, and conversion) may be carried out by the decision of its founders/members or the body of the legal entity authorized by its founding documents, or, the regulatory authority for banks, financial institutions or other entities licensed to perform operations being their only permitted activity.

To restrict monopolistic practices, the legislation may specify grounds and procedure for compulsory reorganization of commercial entities.

A merger of legal entities is an arrangement whereby their rights and obligations are transferred to the newly established legal entity under a transfer deed.

An acquisition of a legal entity by another legal entity is an arrangement whereby the rights and obligations of the acquired company are transferred to the acquiring legal entity under a transfer deed.

A split-up of a legal entity is an arrangement whereby its rights and obligations are transferred to the newly established legal entities under a separation balance sheet.

A spin-off of one or more legal entities from the original legal entity is an arrangement whereby the rights and obligations of the reorganized legal entity are transferred to each of them under a separation balance sheet.

A conversion of a legal entity of a given type into a legal entity of another type (change in the legal form of organization) is an arrangement whereby the rights and obligations of the reorganized legal entity are transferred to the newly established legal entity under a transfer deed.

A transfer deed and a separation balance sheet are the documents required for reorganization of a legal entity. They must contain provisions on succession to all obligations of the reorganized legal entity to all its creditors and debtors, including the obligations disputed by the parties. The transfer deed and separation balance sheet shall be approved by the founders/members of the legal entity or the authority that has adopted the decision to reorganize, and shall be submitted for the state registration of the newly established legal entities.

In the case of reorganization of a legal entity, its founders (shareholders) or body adopting the decision to reorganize the legal entity must notify the creditors of the reorganized entity in writing to this effect.

Under Kyrgyz law, in case of reorganization of business entities under the circumstances provided by the anti-trust law, the consent of the anti-trust authority of the Kyrgyz Republic is additionally required.

4.5. Business Closure

Liquidation of a legal entity entails its termination without transferring its rights and obligations to any other persons.

A legal entity may be liquidated:

- By the decision of the founders (members) or the authorized body of the legal entity under the circumstances provided by the founding documents, including in connection with expiration of the term for which the legal entity was established, or achievement of the purpose for which it was established, or invalidation of registration of the legal entity by the court as being established with irremediable violations of law; or
- By the decision of the court in the event of engaging in business without proper permit (license) or in business prohibited by law, or with other repeated or gross violations of law, or in the event of persistent engaging in business that is contrary to statutory goals of the legal entity; or in the event of revoking the license of banks, financial institutions, or other entities licensed to perform operations being their only permitted activity; and in such other cases as may be provided by law.

Liquidation of banks or financial institutions licensed by the National Bank of the Kyrgyz Republic occurs in the event of revocation of the banking license, subject to specific requirements for banks and other financial institutions.

Once the authorized body of the legal entity or the court makes a decision to liquidate the legal entity and to elect (appoint) the liquidation committee (liquidator), the latter must notify the registration authority to this effect in writing within 3 business days enclosing a copy of the aforesaid decision.¹⁰⁶ The notice must indicate the procedure and period for filing the creditors' claims. At the same time, the period for filing the creditors' claims may not be less than 2 months from the date of the public announcement of liquidation.

The Ministry of Justice of the Kyrgyz Republic or its local offices must, within 7 business days from the date of receipt of the liquidation notice, make a relevant entry in the state register and notify the Tax Service, Customs Service, Statistical Committee and Social Fund authorities to this effect.

To register termination of the legal entity, an applicant must submit to the Ministry of Justice of the Kyrgyz Republic or its local offices the following documents:

1. Application for registration in prescribed form;
2. Decision of the authorized body of the legal entity or the court to liquidate the legal entity and to elect (appoint) the liquidation committee (liquidator);
3. Certificate of state registration (re-registration) of a legal entity;
4. Seals and stamps (if any);
5. Decision to approve the liquidation balance sheet;
6. Certificate of repositioning the documents of the liquidated legal entity with the state archive fund;
7. Proof of payment of the registration fee;
8. Power of attorney for a representative to represent the liquidated legal entity before the Ministry of Justice of the Kyrgyz Republic and its local offices;
9. Copy of passport (or other identity document acceptable under Kyrgyz law) of an individual acting as a representative.

To register termination of financial institutions or non-commercial entities, an applicant must also submit the charter.

¹⁰⁶ Point 67 of the Regulation on the Procedure for State Registration of Legal Entities, Branches (Representative Offices) approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic No. 178 of March 31, 2023.

4.6. Online Registration of Legal Entities

On February 26, 2019, the Government of the Kyrgyz Republic approved the Interim Procedure¹⁰⁷ for online registration of legal entities via the Internet.

To register online, an applicant must:

1. hold an ID card (a 2017 passport of national of the Kyrgyz Republic);
2. log in to the government e-services portal using the card reader (smart card) allowing to authenticate the identity of the applicant or other person on whose behalf the information must be signed.

Registration documents must be filed with the Ministry of Justice as electronic images.

4.7. Unincorporated business

Under Kyrgyz law¹⁰⁸, apart from doing business by incorporating a legal entity or its branch or representative office, individuals may engage in unincorporated business as a sole proprietor. Sole proprietors may be the nationals of the Kyrgyz Republic, foreign nationals, or stateless persons permanently or temporarily residing in the territory of the Kyrgyz Republic.

Such form of doing business is attractive due to its simplified structure, state registration requirements and accounting procedures, but it also involves the risk of unlimited property liability for business obligations.

Under Kyrgyz law, there are two forms of doing business as a sole proprietor:

- Based on a certificate of state registration as a sole proprietor;
- Based on a patent.

A certificate of state registration as a sole proprietor is issued by the local tax offices that are closest to the place of registration.

After registration as a sole proprietor, it is necessary to apply for registration as a social insurance

¹⁰⁷ Resolution of the Government of the Kyrgyz Republic dated February 26, 2019 No. 94 “On conducting a pilot project for online state registration of legal entities”.

¹⁰⁸ Article 58 of the Civil Code of the Kyrgyz Republic and Regulation on procedure of tax registration of taxpayers in the Kyrgyz Republic approved by the Cabinet of Ministers Resolution dated March 4, 2021 No. 106 (with the latest amendments as of September 13, 2023, No. 470).

contribution payer with the respective subdivisions of the Social Fund.

Individuals may engage in business without registration as a sole proprietor, if they hold a patent and their business is included in the list of activities requiring such patent.

It should be noted that the purchase of the appropriate patent allows engaging in business as a sole proprietor or as a self-employed person if such business is included in the list of activities requiring such patent approved by the Cabinet of Ministers. An individual engaged in scientific, pedagogical (teaching), creative or other activities on the basis of a patent without hiring employees (independently) is considered as a self-employed person. However, a self-employed person is not considered as a sole proprietor under the Tax Code.

The list of business and self-employment activities requiring a patent is determined by the Cabinet of Ministers. Set out below is an overview of the patents giving the right to engage in business activity.

A patent (either in hard copy or electronic form) certifies:

1. the right of the taxpayer to engage in the activity specified in the patent;
2. the payment of taxes applicable to the activity specified in the patent;
3. the earning of income during the tax period covered by the patent.

Thus, a sole proprietor operating on the basis of a patent is not required to report to tax authorities¹⁰⁹ and only needs to purchase a patent and then keep extending its validity period. The patent may be purchased for 15, 30, 90, 180 and 365 consecutive days. In case of purchasing the patent for 90 calendar days, the amount of tax is reduced by 5 percent, for 180 calendar days by 10 percent, and for 365 calendar days by 15 percent. The patent is valid only in the territory where it was issued (district, city without district division, or Bishkek city) except the patent for certain types of activities determined by the competent tax authority. It is prohibited to transfer the patent or a copy thereof to another person for the purposes of engaging in business activities. The patent for engaging in certain types of activities may not replace the licenses and other special permits required by Kyrgyz law.

The amount of tax is fixed and is not subject to recalculation or refund after the purchase of the patent, except for recalculation of the amount of tax based on the patent which was valid during the period of force majeure, in the manner determined by the competent tax authority.

¹⁰⁹ At the same time, in case of the patent-based tax, taxpayers are not exempt from filing a unified tax return indicating the actual income from their activities as required by the Tax Code of the Kyrgyz Republic though without mandatory confirmation and verification of the tax amount paid. The unified tax return must be filed along with the copies of patents.

The patent-based tax regime does not apply to:

1. individuals whose total revenue for the last 12 months exceeds KGS 8,000,000;
2. individuals who import and/or export goods;
3. individuals who are engaged in trading activity with effect from January 1, 2024.

If a taxpayer is no longer eligible for a patent regime, he shall, during the period in which a mismatch occurred, submit to the tax authority an application to switch to a different tax regime with effect from the 1st day of the month following the month in which the mismatch occurred.

If a taxpayer who was supposed to submit to the tax authority an application to switch to a different tax regime but failed to submit or submitted such application with delay, he shall be qualified as a taxpayer eligible for general tax regime with effect from the 1st day of the month following the month in which he was supposed to submit the application.

A sole proprietor may terminate business on the basis of his application or court order. In such case, the termination of business shall be subject to the rules applicable to liquidation of legal entities.

4.8. Free Economic Zones

Free economic zones (FEZs) are areas with special legal regime offering incentives to companies engaged in international trade and business activities¹¹⁰.

FEZ residents enjoy the following incentives and benefits:

- Partial exemption from all taxes, duties, fees, and charges, for the duration of residence in FEZ;
- Distribution of 0.1% to 2% of proceeds from sale of goods and services over a year to the General Directorate of FEZ for offering tax and other incentives on the premises of FEZ;¹¹¹
- Simplified entry and exit requirements for foreign employees;
- Simplified customs procedures; and
- Direct access to critical infrastructure, including telecommunications, water supply, power, and transport, on the premises of FEZ.

¹¹⁰ Law of the Kyrgyz Republic "On Free Economic Zones in the Kyrgyz Republic" dated January 11, 2014, No. 6 (last amended on February 28, 2023, No. 44)

¹¹¹ For more detail on FEZ taxation refer to Section 6.11.

FEZ residents may not engage in:

- development and production of mineral resources;
- import, production and sale of excisable goods, except those meant for production purposes and production of goods other than excisable goods, after payment of taxes and customs duties in accordance with the laws of the Kyrgyz Republic, as well as tobacco products manufactured by FEZ residents before 2000;
- production, repair and sale of weapons and ammunition, production and sale of explosives used in production of weapons;
- production, processing, storage, deactivation, and sale of radioactive, nuclear and other hazardous materials;
- import, storage, production and sale of narcotic and psychotropic substances, except precursors used in production purposes and imported in accordance with the laws of the Kyrgyz Republic.

The Cabinet of Ministers of the Kyrgyz Republic has the right to determine other types of activities prohibited in FEZ.

State registration (re-registration) and de-registration of FEZ residents are vested in the Ministry of Justice of the Kyrgyz Republic and its local offices.

Companies willing to obtain the FEZ resident status must submit an application to the General Directorate of FEZ containing the following information:

1. proposed activity corresponding to FEZ type;
2. area of land required for proposed activity;
3. proposed capital investments including those to be made during the year from the date of executing an agreement on conditions of residence in FEZ.

The procedure for granting the FEZ resident status is established by the General Directorate of FEZ.

A company is considered a FEZ resident from the date of making a relevant entry in the register of FEZ residents. The General Directorate of FEZ must enter the registration data in the register of FEZ residents within three business days from the date of signing the agreement on conditions of FEZ residence and issue a certificate of registration as a FEZ resident.

Currently, there are 5 free economic zones functioning within the territory of the Kyrgyz Republic: the Bishkek FEZ, the Maimak FEZ, the Naryn FEZ, the Karakol FEZ and the Leilek FEZ.¹¹²

¹¹² Resolution of the Government of the Kyrgyz Republic No. 431 of August 1, 2014.

5. LICENSES AND PERMITS

The basic regulatory act governing the matters related to the licensing of certain types of activities, actions and operations is the Law of the Kyrgyz Republic “On Licensing and Permitting System in the Kyrgyz Republic” (the “LPS Law”).¹¹³

The licensing law distinguishes two types of documents allowing their holders to engage in specified activities or actions/operations:

- license certifying the right of its holder to engage in licensable activity; and
- permit confirming the right of its holder to engage in certain actions in the course of its activity.

The LPS Law establishes a conclusive list of licenses and permits. Activities (or actions) that are not included in the list established by the LPS Law are carried out on general basis without the need to obtain licenses or permits.

Licenses and permits are issued on equal grounds and conditions to all individuals and legal entities (including foreign ones), regardless of the form of ownership.

Licensing requirements specific to particular activities

Licensing procedure and requirements specific to particular activities (actions) are governed by applicable law to the extent not inconsistent with the LPS Law.

Licensing procedure and requirements specific to banks, financial/lending institutions and other entities regulated by the National Bank of the Kyrgyz Republic, including the issuance, suspension, termination (revocation, cancelation) of licenses, and licensing control are governed by the Kyrgyz law regulating the National Bank of the Kyrgyz Republic, banks and banking, payment, microfinance, credit bureau and credit union services, residential savings and loan companies, and other entities reporting to the National Bank of the Kyrgyz Republic¹¹⁴.

Licensing procedure specific to subsoil use activities, including the issuance, renewal, suspension, termination or transfer of licenses and also licensing requirements and control, licensing fees and charges are governed by the subsoil use law of the Kyrgyz Republic.

¹¹³ The Law of the Kyrgyz Republic “On Licensing and Permits System in the Kyrgyz Republic” No. 195 dated October 19, 2013 (with the latest amendments as of December 27, 2023).

¹¹⁴ For more information on banking regulation refer to Section 9.

Licensing requirements specific to international trade activities are governed by the international trade law of the Kyrgyz Republic and treaties and acts forming the licensing law of the Eurasian Economic Union.

Licensing requirements specific to radio spectrum usage, frequency assignment, including the issuance, renewal, suspension, termination, and revocation of licenses, licensing requirements and control, collection of license fees and charges are governed by the telecommunications law of the Kyrgyz Republic.

Licensing requirements specific to gambling, including the issuance, renewal, suspension, termination, and revocation of licenses, licensing requirements and control, collection of license fees and charges are governed by the gambling law of the Kyrgyz Republic.

Procedure and requirements for the issuance, recognition, renewal, suspension and revocation of civil aviation permits are governed by the aviation law of the Kyrgyz Republic.

Procedure and requirements for the issuance, renewal, suspension, revocation, termination of employment permits for foreign nationals and stateless persons and employment of Kyrgyz nationals abroad, permit requirements, control over collection of charges are governed by the external labour migration law of the Kyrgyz Republic.¹¹⁵

Types of activities requiring licenses

The LPS Law lists the following types of activities requiring respective licenses:

- Production, transmission, distribution, sale, export and import of electricity (except production of electricity from renewable sources or from any sources for personal use with the capacity of up to 1,000 kWh and sale of electricity produced by microgeneration facilities);
- Production, transmission, distribution, sale, export and import of heat (except heat produced from renewable sources or from any sources for personal use);
- Processing of oil and natural gas, except industrial-scale production and sale of bioethanol produced from vegetable waste;
- Production, transfer, distribution, and sale of natural gas;
- Production and distribution of ethyl alcohol;
- Production and distribution (storage for production or sale purposes, wholesale and retail trade)

¹¹⁵ For more information on employment of foreign nationals in the Kyrgyz Republic refer to Section 10.

- of alcoholic products;
- Private medical practice (except under a service or employment contract with private medical institutions or individual entrepreneurs);
- Pharmaceutical activities;
- Production and sale of veterinary drugs;
- Activities involving work with RG2 microorganisms;
- Activities in the field of telecommunications (except internal or private telecommunications networks operators and services);
- Activities in the field of postal communication;
- Activities in the field of data transfer (except internal or private telecommunications networks operators and services);
- Activities in the field of identification and authentication of international mobile equipment identity numbers of mobile and data transmission equipment operated or imported in the Kyrgyz Republic;
- Urban planning, research and design of residential, public and production buildings and structures (Category I, II and III facilities);
- Construction and installation operations, except construction of individual residential houses (Category I, II and III facilities);
- Passenger transport services by motor vehicle (except taxi cars);
- International cargo transportation by truck;
- Passenger and (or) cargo transportation by water;
- Banking operations specified by the legislation of the Kyrgyz Republic in the field of banking, micro-finance, payment systems and funds transfer, credit information exchange and credit union activities;
- Credit union activities;
- Microfinance activities;
- Pawn shop activities;
- Foreign currency exchange services;
- Credit bureau activities;
- Residential savings and loan company activities;
- Payment intermediary services effectuated through IT-based and electronic payment systems;

- Acceptance, processing, and issuance of financial information (processing and clearing services) relating to payments and settlements between third parties and participants of the payment system of a given processing or clearing center;
- Professional lottery activities;
- Gambling activities;
- Transportation (including trans-boundary transportation), storage, use, burial of radioactive materials, substances and sources of ionizing radiation, including toxic and radioactive waste;
- Development, production and sale of military products (weapons, military equipment, military-technical property, documentation, intellectual property, military-technical information referred to military products under Kyrgyz law) and military services (maintenance, upgrade, disposal of weapons, military equipment and their transportation, supply, and storage);
- Production, use, disposal of industrial explosive materials;
- Sale of explosive substances and products (including pyrotechnic ones);
- Production, repair, and trade in weapons and ammunition;
- Development, production, manufacturing, processing, storage, issue, sale, purchase and distribution of narcotic drugs, psychotropic substances and their precursors;
- Advocate practice;
- Private notarial practice;
- Voluntary cash value life insurance services;
- Voluntary personal insurance services;
- Voluntary property insurance services;
- Voluntary liability insurance services;
- Mandatory insurance services;
- Mandatory and voluntary inward reinsurance services;
- Non-governmental pension fund activities;
- Organized securities market;
- Securities broker services;
- Securities registrar services;
- Securities depository services;
- Securities dealer services;

- Investment fund activities;
- Investment trust activities;
- Bankruptcy administration services;
- Design, installation, adjustment and repair of anti-fire automatic devices; flameproofing of wooden structures and combustible theatrical display equipment;
- Educational activities (except state and municipal educational organizations carrying out pre-school, primary, basic and secondary general and out-of-school education programs and state educational organizations with special status);
- Import, export of weapons and military equipment, as well as other products of military purpose according to the list approved by the Cabinet of Ministers of the Kyrgyz Republic;
- Import, export, re-export of goods included in the national checklist of controlled products of the Kyrgyz Republic approved by the Cabinet of Ministers of the Kyrgyz Republic;
- Import and export of goods subject to temporary unilateral licensing;
- Virtual asset service providers.

Also, licenses are required for the following activities related to the use of limited public resources:

- Using radio frequency spectrum (except individuals and (or) legal entities using the radio-frequency spectrum for non-commercial production purposes);
- Taking timber from the woodland at woods of the forestry fund (felling license, small-scale timber supply permit);
- Taking flora resources for commercial purposes (flora resources taking permit, forest use permit);
- Disposal, storage, burial and elimination of toxic waste, including radioactive waste;
- Mineral tenure related activities as set forth in the subsoil use law;
- Generation, use, processing, formation, storage, and elimination of substances which can form explosive mixtures (filling stations which fill compressed or liquefied gas cylinders);
- Generation, formation, storage, use and disposal of highly toxic substances.

Types of operations requiring permits

Permits are required for the following operations:

- Blasting operations;
- Mining operations;

- Import and export of ore and rock samples, concentrates, residues and laboratory tests for analytical research;
- Purchase of alluvial gold and gold concentrate;
- Import of commodities of plant origin subject to quarantine control;
- Employment of foreign nationals and stateless persons within total quota in the territory of the Kyrgyz Republic;
- Employment of Kyrgyz nationals abroad;
- Transit of weapons and military equipment through the territory of the Kyrgyz Republic;
- Import, export, transit through the territory of the Kyrgyz Republic of narcotic drugs, psychotropic substances and their precursors;
- Purchase, storage, transportation, carrying, collection, display, of civilian and service weapons and ammunition;
- Purchase and sale of highly toxic substances;
- Purchase, sale, storage, transportation, carrying, import, export of special means approved by the Cabinet of Ministers of the Kyrgyz Republic;
- Test fishing for scientific purposes;
- Placement of waste in the environment;
- Discharge of pollutants into the environment;
- Release of pollutants into the atmosphere by stationary sources of pollution;
- Transportation of dangerous goods; import, export and transportation of radioactive materials and substances in the territory of the Kyrgyz Republic;
- Storage of explosives materials used for industrial purpose;
- Storage of pyrotechnic products;
- Import of pyrotechnic products to the Kyrgyz Republic;
- Purchase of explosives materials;
- Frequency acquisition for operation of radio-electronic means;
- Import and export of goods (products) subject to veterinary control;
- Transit through the territory of the Kyrgyz Republic of goods (products) subject to veterinary control;
- Identification of controlled products, transit through the territory of the Kyrgyz Republic of goods

included in the National Checklist of controlled products of the Kyrgyz Republic approved by the Cabinet of Ministers of the Kyrgyz Republic;

- Development, production, sale, purchase, storage, transportation of special technical means used for surreptitious obtaining of information;
- Hosting TV and radio channels on analog and(or) digital broadcasting platforms, regardless of the technology used;
- Public or promotional lottery;
- Aircraft ground handling;
- Special flight operation;
- On-board radio station operation.

License (permit) issuing authorities

Licenses (permits) are issued by the competent authorities (licensors) authorized by the Cabinet of Ministers of the Kyrgyz Republic.

Licenses issued in other countries are recognized as valid in the Kyrgyz Republic under mutual or automatic recognition agreements or on a unilateral basis, provided that such licenses are included in the list approved by the Cabinet of Ministers of the Kyrgyz Republic.

License (Permit) Issuance Procedure

Licensing procedure specific to certain activities (operations), including licensing requirements and a list of application documents, are established by the Cabinet of Ministers of the Kyrgyz Republic.

Competent authorities may not demand from the applicant any documents other than those provided by the LPS Law and other laws or regulations of the Kyrgyz Republic to the extent not inconsistent with the LPS Law.

Licenses are issued within 30 calendar days from the date of filing an application with all the required documents. The only exception is the license to use radio-frequency spectrum requiring coordination with neighboring countries of the Kyrgyz Republic.

6. TAXES AND CHARGES

Taxation in the Kyrgyz Republic is regulated by the Tax Code of the Kyrgyz Republic¹¹⁶ and other legal acts.

Among other mandatory deductions are social security contributions to the Social Fund of the Kyrgyz Republic regulated by the Law “On State Social Security”¹¹⁷, the Law “On Tariffs of Social Security Contributions for State Social Security”¹¹⁸, and other acts. For more information on social security contributions, fees and other mandatory charges, please refer to points 6.9, 6.10 of this section.

Types of Taxes

The current Tax Code was enacted on January 18, 2022 with effect from January 1, 2022.

To date, in the Kyrgyz Republic, the following taxes are chargeable under the general tax regime.

National taxes:

- Corporate income tax
- Personal income tax
- Value added tax
- Excise tax
- Mining taxes (bonuses and royalties)
- Sales tax

Local taxes:

- Property tax

For taxation purposes, legal entities are divided into domestic and foreign entities. Domestic entities are legal entities established under the laws of the Kyrgyz Republic, and foreign entities are corporations, companies, firms, foundations, institutions or other formations established under the

116 The Tax Code of the Kyrgyz Republic dated January 18, 2022, No.3 (with effect from January 1, 2022) (with the latest amendments as of April 3, 2023, No.78).

117 The Law of the Kyrgyz Republic “On State Social Insurance” dated June 17, 1996 No. 20 (with the latest amendments as of April 26, 2023, No.93).

118 The Law of the Kyrgyz Republic “On Tariffs of Insurance Contributions for State Social Insurance” dated January 24, 2004, No.8 (with the latest amendments as of April 3, 2023, No.78).

laws of a foreign state, or international organizations. Foreign entities, in their turn, are divided into foreign entities operating through a permanent establishment in the Kyrgyz Republic, and foreign entities without a permanent establishment in the Kyrgyz Republic.

Foreign entities operating through a permanent establishment in the Kyrgyz Republic

A foreign entity operating through a permanent establishment in the Kyrgyz Republic becomes a taxpayer along with domestic entities.

Permanent establishment is a fixed place of business through which the economic activity of the foreign company is wholly or partly carried on and includes the following:

- a place of management;
- a branch;
- an office;
- a factory;
- a workshop;
- a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;
- a land plot;
- a building site or construction or installation project or relevant works supervision services (if such site, or project or services last more than 183 calendar days during any 12-month period);
- an installation or structure used in the exploration of mineral resources, or supervision services, or drilling installation or ship used to explore mineral resources (if such use lasts for 183 or more calendar days or if such services are provided for 183 or more calendar days during any 12-month period);
- providing services including consulting services by a non-resident through its hired personnel (if such personnel provide services in the Kyrgyz Republic for 183 or more calendar days during any 12-month period);
- engaging in entrepreneurship in the Kyrgyz Republic through a dependent agent;
- selling goods in the Kyrgyz Republic by a foreign entity, including products of processing in the Kyrgyz Republic;
- providing services in electronic form based on the use of a domain name or IP address registered in the Kyrgyz Republic.

Foreign entities without a permanent establishment in the Kyrgyz Republic

If a foreign entity operates without creating a permanent establishment in the Kyrgyz Republic but derives income from the sources located in the Kyrgyz Republic, for taxation purposes, it must be treated as a foreign entity without a permanent establishment in the Kyrgyz Republic. In this case, an individual entrepreneur or legal entity paying income to such foreign entity must assess, withhold, and transfer to the budget the tax on non-deductible income received by a foreign entity without a permanent establishment in the Kyrgyz Republic from a source in the Kyrgyz Republic, at the following rates:

- For dividends, interest income (except interest income derived from securities listed on the Kyrgyz stock exchange in the first and second highest listing categories), and income paid under Islamic finance contracts: 10 %; For insurance premiums paid:
 - a. under risk insurance or reinsurance contracts (except compulsory insurance contracts): 5%;
 - b. under compulsory risk insurance or reinsurance contracts: 10%;
- For author fees, royalties: 10%;
- For works or services performed or provided by a foreign entity in the territory of the Kyrgyz Republic: 10%;
- For income from international telecommunications or transportation services between the Kyrgyz Republic and other countries: 5%.

6.1. Corporate Income Tax

Payers of corporate income tax include domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic, sole proprietors, as well as tax agents paying income to foreign entities without a permanent establishment in the Kyrgyz Republic from sources in the Kyrgyz Republic.

Object of taxation is economic activity resulting in income generated by:

- a domestic entity or sole proprietor from a source within or outside the Kyrgyz Republic;
- a foreign entity or non-resident individual operating through a permanent establishment in the Kyrgyz Republic from a source in the Kyrgyz Republic;
- a foreign entity operating without creating a permanent establishment in the Kyrgyz Republic from a source in the Kyrgyz Republic.

Tax base is the profit calculated as a positive difference between a taxpayer's gross annual income reduced by non-taxable income, and expenses deductible under tax law as assessed for the tax period.

For foreign entities without a permanent establishment in the Kyrgyz Republic receiving income at source in the Kyrgyz Republic, a tax base is a non-deductible income.

Gross annual income includes all types of income identified in accordance with the accounting rules set forth in Kyrgyz law.

Gross annual income does not include non-taxable income, namely:

- Value of property received as a share input and/or contribution to the charter capital and/or other types of input in the organization in which a business entity is a member;
- Value of fixed assets and/or money used as capital investments to develop its own production base gratuitously transferred to an organization by the decision of the Cabinet of Ministers of the Kyrgyz Republic or local self-government authorities;
- Value of fixed assets of hydroelectric power plants, thermoelectric power plants, hydrotechnical facilities, water intake facilities, mining equipment, civil defence facilities, and land use rights gratuitously transferred to ownership of business companies with state participation interest of more than 50% and/or specialized organizations engaged in use and operation of the said facilities for their intended purpose by the decision of the Cabinet of Ministers of the Kyrgyz Republic or local self-government authorities;
- Value of engineering networks, substations, boiler rooms supporting the operation of construction facilities, including land use right, electricity, gas, cold/hot water and heat meters, granted to a specialized organization engaged in use, operation, and maintenance of these facilities for their intended purpose regardless of form of ownership under the commissioning certificate from the general contractor and/or construction customer or homeowners association;
- Fee for connection of newly built/rebuilt/redesigned/replanned facilities to engineering networks and/or facilities not connected to engineering networks received by a specialized organization regardless of form of ownership;
- Received by non-commercial entities:
 - a. membership and entrance fees;
 - b. humanitarian aid and grants, as well as voluntary donations, provided that they are used only for the purposes stated in the charter;

- c. value of gratuitously received assets, provided that they are used only for the purposes stated in the charter;
- d. fee for technical maintenance of multi-apartment houses and servicing buildings and structures;
- e. fee for irrigation water supplied by water users associations to their members in the framework of the activity stated in the charter;
- f. fee for religious rites, rituals, ceremonies, pilgrimage services and voluntary donations;
- Dividends received by taxpayers on income from participation in domestic companies;
- Value of property received by general partnership as contributions of partners and value of property received from partners under the Sharikah or Diminishing Musharakah Islamic finance contract without forming an organization;
- Value of property held in trust;
- Gain in value of treasury shares (excess over par value);
- Value of additional shares (interests) received by a member of the organization, distributed among the members of the organization by the decision of the general meeting, or the difference between the par value of new shares received instead of the original shares and the par value of the original shares of the shareholder upon the distribution of shares (interests) among the members of the organization in connection with the increase of the authorized capital of this organization, including at the expense of the property of the organization;
- Profit received by the bank under the Sharikah Islamic finance contract;
- Interest and gain in value of securities listed on the stock exchanges in the first and second highest listing categories on the date of sale.

Expenses fully or partially deductible from the gross annual income include:

- Documented expenses related to the receipt of income, as well as excess of negative exchange rate difference over positive exchange rate difference and the amount of bad debt;
- Expenses within the limits of technological norms of losses of raw materials in the process of production of goods;
- Expenses related to business trips of the taxpayer's officers, including employees, members of executive management and members of the board of directors or supervisory board;
- Expenses related to training, re-training and continuing education of personnel;
- Interest expenses;

- Expenses incurred in the process of innovation activity which includes scientific research, development and engineering works; design and survey works; implementation of scientific and technological achievements; implementation of application software packages; implementation of information and communications technologies;
- Allowance for exploration works;
- Cost of fixed assets, intangible assets and inventories;
- Fixed asset depreciation amounts (at normal rates);
- Expenses incurred in connection with the repair of fixed assets (in a certain amount);
- State social security deductions;
- Losses incurred in connection with the sale of securities;
- Allowance for credit losses and bank contributions to Deposit Protection Fund;
- Value of property, including cash, donated to charitable organizations and culture and sport organizations regardless of their form of ownership, provided that the property is not used for the benefit of the taxpayer who donated it;
- Taxes including VAT for purchased non-offsettable tangible resources, non-deductible excise tax, sales tax payable to suppliers upon the purchase of goods, works and services, the taxpayer's expenses on VAT accrued on the balance of inventories, fixed assets and intangible assets upon annulment of VAT registration, property tax, and subsoil use tax.

Apart from that, the tax legislation sets forth a list of expenses not deductible from the gross annual income, including:

- Expenses related to production, acquisition and installation of fixed assets and other capital expenditures;
- Tax sanctions, penalties and default interests paid to the national budget and to the Social Fund of the Kyrgyz Republic;
- Corporate income tax paid or payable in the Kyrgyz Republic;
- Corporate income tax paid or payable in the foreign state;
- Expenses related to deductions to reserves, unless otherwise provided in the tax law;
- Excess of expenses incurred during the operation of social facilities as per the list approved by the Cabinet of Ministers over income received from operation of such facilities;
- Any expenses incurred for another person, except those representing payments for the services

- rendered as confirmed by a documentary evidence;
- Expenses related to purchase, operation or maintenance of any property the income from which is not taxable according to the tax law;
 - Expenses directly or indirectly related to sale or exchange of property between the taxpayer and his family member or interdependent entity;
 - Expenses of the taxpayer with respect to his close relatives and other persons not related to economic activity;
 - Expenses related to price differences upon sale at preferential prices or tariffs or at prices below market prices for goods, works, services to employees, except those subject to personal income tax levied by the tax agent;
 - Amount of natural losses above standards established by legal acts effective in the Kyrgyz Republic;
 - Expenses that are not capable of being identified by supporting documents except in cases specified by the tax law;
 - Amounts of non-income generating expenses;
 - Expenses incurred to generate income not subject to corporate income tax;
 - Per diems paid for the period of being on a business trip in the amount exceeding the limits established by the Cabinet of Ministers, except for the amounts of excess subject to personal income tax;
 - Expenses for organizing banquets, leisure, entertainment or recreation;
 - Expenses of the taxpayer-issuer incurred upon receipt of property as payment for the shares (interests, units) placed by it;
 - Amount of the excess of the cost of acquisition of virtual assets over the proceeds from their sale;
 - Value of tangible resources acquired without electronic invoice in the territory of the Kyrgyz Republic for supply of goods and services except agricultural products.

For taxpayers engaged in extraction and sale of ores and concentrates containing gold, silver, copper, antimony, mercury, tungsten and tin, as well as gold alloy and refined gold, finished products of silver, copper, antimony, mercury, tungsten and tin, the corporate income tax rate is 0%¹¹⁹. Local

¹¹⁹ Taxpayers engaged in extraction and sale of gold ore, concentrate, alloy or refined gold pay personal income tax at rates ranging from 1% to 30% depending on the value of gold. Taxable income is the proceeds (net of VAT and sales tax) from sale of gold alloy and refined gold, and the value of gold in ore and concentrate calculated on the basis of world market prices in the manner specified by the Cabinet of Ministers of the Kyrgyz Republic.

entities engaged in various areas of production and sale of own goods, including production and sale of goods received as a result of processing of goods in the Kyrgyz Republic, by using only the new equipment¹²⁰, may, during 5 consecutive years, pay the corporate income tax at the rate of 0% if they meet the criteria established by the Tax Code. For enterprises engaged in activities subject to preferential tax regime under the Tax Code (except mining, mineral processing, and excisable goods manufacturing) the corporate income tax rate is 0% for the period of up to 5 years with the possibility of renewal for another 5 years. Some entities are exempt from the corporate income tax (e.g. credit unions, charitable organizations, agricultural producers, agricultural trade and logistics centers, privately owned general educational institutions, etc.). For all other taxpayers, the rate of the corporate income tax is 10%.

6.2. Personal Income Tax

Payers of personal income tax are Kyrgyz nationals, resident non-Kyrgyz nationals with residence permits or repatriate status, resident non-Kyrgyz nationals without residence permits or repatriate status, non-resident non-Kyrgyz nationals receiving income from a source in the Kyrgyz Republic, and tax agent (entity or sole proprietor) paying income to individuals from a source in the Kyrgyz Republic.

Object of taxation is:

1. economic activity, except business activity, resulting in income generated:
 - from a source within and/or outside the Kyrgyz Republic – for Kyrgyz nationals;
 - from a source within and/or outside the Kyrgyz Republic – for resident non-Kyrgyz nationals with residence permit or kairylman (repatriate) status;
 - from a source within the Kyrgyz Republic – for resident non-Kyrgyz nationals without residence permit or kairylman (repatriate) status; and
 - from a source within the Kyrgyz Republic – for non-resident of the Kyrgyz Republic except non-resident who is the employee of the branch and/or representative office of the domestic entity registered outside the Kyrgyz Republic.

Tax base is income estimated as the difference between the gross annual income, received by a

¹²⁰ The new equipment means fixed assets imported to the Kyrgyz Republic after May 1, 2015 and not used therein before this date, or immovable property owned by the local entity or used by it under the financial lease (leasing) agreement. The new equipment does not include the fixed assets imported by the taxpayer after May 1, 2015 and used for extension or modernization of fixed assets or production facility acquired or produced by the taxpayer before May 1, 2015.

taxpayer over the tax period and reduced by non-taxable income, and deductions required by Section VII (Personal income tax) of the Tax Code, unless otherwise provided therein.

The income tax period is 1 calendar year, The income tax rate is 10%.

Also, there is a 5% reduced tax rate for the following employees:

1. taxpayers registered and operating in preferential border settlements;
2. taxpayers specified in Article 183.4 of the Tax Code¹²¹;
3. High Tech Park and Creative Industries Park residents and directorate, except property maintenance and security staff.

6.3. Value Added Tax

Value added tax (VAT) is a tax collected and remitted to the government on the partial value of taxable supply, including taxable import. VAT does not apply to the sale of virtual assets.

Payers of VAT are taxpayers who pay taxes or whose activities are taxable under general tax regime, entities engaged in taxable import as well as foreign organizations 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 the territory of the Kyrgyz Republic.

Under Kyrgyz tax law, an entity engaged in entrepreneurial activities and paying taxes under the general tax regime is subject to VAT registration as of the date of its tax registration. Foreign organizations providing services in electronic form are subject to tax registration without undergoing state registration by registering through the information resource posted on the open official website of the Tax Service. A business entity must register for VAT if, during 12 consecutive months or less, it has been making taxable supplies of goods, works or services in the territory of the Kyrgyz Republic for the amount exceeding 30 million KGS. For such registration, the taxpayer must file an application within one month from the date of expiration of the period in which it earned more than 30 million soms.

121 Tax exemptions within the territory of an administrative-territorial unit having a special status under Kyrgyz law are granted to taxpayers who have tax registration with the tax authorities of an administrative-territorial unit having a special status under Kyrgyz law and carrying out the activities provided in Article 183.1 of the Tax Code, in the territory of that administrative-territorial unit, without the need to conclude an investment agreement referred to in Article 183.2, except their separate subdivisions located outside the territory of the administrative-territorial unit where they are granted exemptions.

Taxable supplies. Under Kyrgyz tax law, a taxable supply is a supply made in the Kyrgyz Republic, except exempt supplies.

The export of the customer-supplied raw materials from the Kyrgyz Republic to another member-state of the Eurasian Economic Union for processing outside the Kyrgyz Republic will be deemed a taxable supply if more than 24 months pass from the date of export of customer-supplied raw materials, but the processed products are not imported into the Kyrgyz Republic.

Taxable supplies, including supplies by foreign organizations 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 the territory of the Kyrgyz Republic, are subject to 12% VAT, except VAT taxable supplies subject to a zero rate.

Zero VAT taxable supplies include the following:

- Processing of customer-supplied raw materials imported from the EAEU member states;
- Export of goods, except export of gold and silver alloy and refined gold and silver, metallic ores, concentrates, alloys and refined metals;
- International carriage of passengers, luggage and cargos, except carriage by rail;
- Transit flights and related international carriage catering services, except international carriage by rail;
- Services related to the supply of electricity to pump stations supplying irrigation water to the fields and drinking water to the population;
- Supply of goods, works and services intended for use in production from the Kyrgyz Republic by a non-FEZ entity to a FEZ entity.

Taxable import. Taxable import means the import of goods into the territory of the Kyrgyz Republic, except exempt import. Import means:

- a. the import of foreign goods placed under the customs regime of release for domestic consumption into the EAEU customs territory in the Kyrgyz Republic;
- b. the import of the EAEU goods placed under the customs procedure of reimport:
 - into the EAEU customs territory in the Kyrgyz Republic;
 - into the territory of the Kyrgyz Republic from the territory of free economic zones and free warehouses of the Kyrgyz Republic;
- c. the import of the EAEU goods into the territory of the Kyrgyz Republic from the territory of another

- EAEU member state, if they are:
- acquired for ownership;
 - received for use under the financial lease agreement;
 - products of processing of customer supplied raw materials;
- d. the import of foreign goods into the territory of the Kyrgyz Republic from the territories of free economic zones, free warehouses and customs warehouses of the Kyrgyz Republic;
- e. the import of customer-supplied raw materials into the territory of the Kyrgyz Republic from the territory of another EAEU member state for processing in the territory of the Kyrgyz Republic, if more than 24 months have passed since the date of import of raw materials and if the processed products have not been exported outside the Kyrgyz Republic.

Supplies of goods treated as taxable import are subject to 12% VAT.

Thus, if an entity is registered or is required to register as a VAT payer, such entity must pay tax both on taxable supplies and on taxable import. If an entity is not registered nor is required to register as a VAT payer, such entity must pay VAT on taxable import only.

Taxable import does not include import of goods from an EAEU member state to the Kyrgyz Republic in connection with their transfer:

- a. from a taxpayer of an EAEU member state to its branch or representative office in the Kyrgyz Republic;
- b. from a branch or representative office in an EAEU member state to a Kyrgyz taxpayer of which it is a branch or representative office.

Non-taxable supplies include exempt supplies and supplies outside the scope of VAT. Kyrgyz tax legislation sets forth a list of exempt supplies, including among others:

- Sale of land plots and lease of agricultural land plots;
- Sale of residential buildings and premises classified as housing in accordance with the documents of the state registration authority, or lease of residential premises, except lease of inns, boarding houses, resort and health centres;
- Sale of an enterprise by one VAT taxpayer to another VAT taxpayer;
- Supply by an agricultural producer of its own agricultural products and processed products;
- Supply of agricultural products and processed products by the agricultural cooperative received from agricultural producers who are members of the cooperative;

- Supply of goods, works and services by the agricultural cooperative to the members of this cooperative;
- Supply by an agricultural trade and logistics centre of agricultural products and processed products received from agricultural producers and agricultural cooperatives;
- Supply of works involving the use of agricultural machinery, agricultural machinery maintenance and repair services, or agricultural machinery spare parts by a machine tractor station to an agricultural producer or agricultural cooperative;
- Supply of feed for poultry and fish produced by the taxpayer to an agricultural producer engaged in poultry and fish breeding activities;
- Supply of public utilities to a physical person for household purposes;
- Supply of prosthetic and orthopaedic items, supply of specialized goods for handicapped persons including their repair and supply of medicines, including vaccines and veterinary medicines, as well as medical devices included in the lists approved by the Cabinet of Ministers of the Kyrgyz Republic;
- Supply by a specialized organization of services related to connection to engineering networks of newly built/rebuilt/redesigned/replanned facilities and/or facilities built but not connected to engineering networks;
- Supply of financial services;
- Supply of property including land plots received by banks from their borrowers in repayment of debt to the extent of the amount of the debt under a loan contract or Islamic finance contract;
- Supply by banks of residential structures classified as housing in accordance with the documents of the state registration authority, received as repayment of debt of bank borrowers, including under Islamic finance contracts;
- Supply by banks of refined standard and dimensional gold, silver, platinum and palladium bars and coins;
- Supply of goods by the bank under Murabahah, Salam and Istisna/Parallel Istisna Islamic finance contracts;
- Transfer and return of goods between the customer and the bank under Sharikah/ Musharakah Islamic finance contracts;
- Supply of goods by banks for transfer as fixed assets under Ijarah Muntahiya Bittamlik and Murabahah Islamic finance contracts;

- Supply of goods by the supplier in the case when the supply is made under the finance lease contract, Muntahiya Bittamlik or Murabahah Islamic finance contract, intended for use as fixed assets under the finance lease terms, as well as under the Murabahah Islamic finance contract, if the customer is a VAT taxpayer;
- Supply of insurance, coinsurance and reinsurance services as well as the related broker and agent services;
- Supply of pension processing and payment services, and pension funds property management, except lease of property;
- Passenger carriages in the territory of the Kyrgyz Republic;
- International passenger, luggage and cargo carriages by rail;
- Supply of text books, reading books, scientific, artistic literature, magazines, children's literature published in state (Kyrgyz) language;
- Supply of services of processing the goods imported in the territory of the Kyrgyz Republic and subject to customs procedure of processing of goods in the customs territory and processing of goods for internal consumption;
- Supply of services of warranty repair of fixed assets imported into the Kyrgyz Republic from the EAEU member states, including their restoration or replacement of component parts;
- Supply of goods in the territory of the customs warehouse;
- Supply of state property through privatization;
- Supply of means of identification, as well as services involving the issuance and generation of product marking codes;
- Supplies by charitable organizations for charitable purposes in accordance with Kyrgyz law on sponsorship and charity;
- Supply of preschool education (private kindergarten) services;
- Supply of services by private general education organizations;
- Supply of own goods, works and services by correctional institutions and enterprises of the penal system of the Ministry of Justice of the Kyrgyz Republic;
- Supply of goods by entities carrying out their activities on the territory of correctional institutions of the penal system, provided that the number of employed convicts serving their sentence in correctional institutions is not less than 60% of the total number of employees in these enterprises;
- Supply of technologies, equipment and its components that meet the energy and resource

- efficiency requirements determined by the Cabinet of Ministers;
- Supply of hemodialysis services by private health organizations to patients with end-stage kidney disease;
 - Supplies related to social security and protection of disabled people, low-income families, orphanages and nursing homes, and supplies related to education, medicine, science, culture, and sport and made by a non-commercial organization which makes no other supplies during 12 consecutive calendar months;
 - Gratuitous transfer of socio-cultural, health and fitness, housing and household utilities facilities, roads, power networks, substations, boiling rooms, heating networks, gas networks, hydroelectric power plant facilities, thermoelectric power plant facilities, hydrotechnical facilities, water intake facilities, mining equipment, civil defence facilities, gratuitously transferred to ownership of business companies with more than 50% state participation interest and/or specialized organizations owned by the Kyrgyz Republic or local authorities engaged in use and operation of the said facilities for their intended purpose;
 - Gratuitous transfer of fixed assets into ownership of entities by decision of the Cabinet of Ministers of the Kyrgyz Republic or local self-government authorities;
 - Gratuitous transfer of public utility networks to a specialized organization under a certificate of commissioning;
 - Supply of mineral fertilizers, chemical plant protection means according to the list determined by the Cabinet of Ministers of the Kyrgyz Republic;
 - Supply of vehicles powered by electricity produced at the enterprises of the Kyrgyz Republic;
 - Supply to a local agricultural producer of agricultural machinery manufactured at Kyrgyz enterprises according to the list approved by the Cabinet of Ministers of the Kyrgyz Republic;
 - Supply and export of metallic ores, concentrates, alloys and refined metals;
 - Supplies of goods, works and services by private partners and (or) a project company under the public-private partnership agreement subject to approval by the Cabinet of Ministers of the Kyrgyz Republic during the period specified in the public-private partnership agreement;
 - Supply of jet fuel by a refuelling organization as on-board supplies for the refuelling of aircraft engaged in international air services;
 - Supply of goods or works under a socially significant facility contract;
 - Transfer of property to the share capital of the organization, as well as the return by the organization of the amount of contribution to the member in the form of property;

- Transfer and return of property between the partner and the organization under the Sharikah Islamic finance contract;
- Provision of services of religious rites, rituals, ceremonies as well as services of arranging and carrying out pilgrimage;
- Provision of frequency (power) regulation services in the EAEU, if the place of delivery is the territory of the Kyrgyz Republic;
- Import of certain goods.

All other supplies not included in the list of taxable supplies, taxable import or exempt supplies are treated as supplies falling outside the scope of VAT.

The tax base is the value of taxable supplies and the value of taxable import.

6.4. Excise Tax

Payers of excise tax are entities manufacturing excisable merchandise, including on a give-and-take basis, within the Kyrgyz Republic, and/or importing excisable merchandise to the Kyrgyz Republic such as:

1. undenatured ethyl of an alcoholic strength by volume of 80% vol. or higher, ethyl alcohol and other spirits, denatured, of any strength, classifiable in HS heading 2207;
2. beer made from malt, wine of fresh grapes, including fortified wines, grape must other than that of heading 2009; vermouth and other wine of fresh grapes flavoured with plants or aromatic substances; other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included; undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages classifiable in HS headings 2203, 2204, 2205, 2206, 2208;
3. Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter classifiable in HS heading 2202;
4. tobacco products, such as cigars, cheroots, cigarillos (thin cigars) and cigarettes of tobacco or of tobacco substitutes classifiable in HS heading 2402;
5. other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences classifiable in HS heading 2403;
6. heated tobacco and heated tobacco products classifiable in HS heading 2404;
7. nicotine-containing liquid for use in electronic cigarettes, disposable electronic nicotine delivery

- systems with nicotine liquid in single-unit housing classifiable in HS heading 2404;
8. electronic cigarettes and similar individual electric vaporizers (electronic nicotine delivery systems) classified under HS subheading 8543 40 000 0;
 9. oils and other products of the distillation of high temperature coal tar; petroleum oils and oils obtained from bituminous minerals, crude; petroleum oils and oils obtained from bituminous minerals other than crude, preparations not elsewhere specified or included, containing by weight 70% or more of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic cons, waste oils classifiable in HS headings 2707, 2709, 2710, 3811;
 10. Petroleum gases and other gaseous hydrocarbons; Liquefied; Natural gas classifiable in HS headings 2711 11 0000 – 2711 19 0000.

Object of taxation is manufacture in the Kyrgyz Republic or import to the Kyrgyz Republic of excisable merchandise.

Tax base includes:

- Physical volume of excisable merchandise required to be marked with the excise stamp; and/or
- Physical volume of sold excisable merchandise not required to be marked with the excise stamp; and/or
- Physical volume of imported excisable merchandise not required to be marked with the excise stamp; and/or
- Physical volume of excisable merchandise manufactured in the territory of the Kyrgyz Republic from the customer-supplied raw materials.

Basic rates of excise tax are established by the Tax Code of the Kyrgyz Republic. Excise tax rates can be changed by the Cabinet of Ministers of the Kyrgyz Republic to the extent that such rates do not exceed the basic rate of the excise tax.

6.5. Sales Tax

Payers of sales tax are domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic and sole proprietors.

Object of taxation is sale of goods, performance of works, rendering of services.

Tax base includes the proceeds from sale of goods, works or services, net of VAT and sales tax.

The sales tax rates:

1. in case of VAT taxable goods, works, services paid by cash or non-cash payment instruments:
 - a. 1%: for trade and production activities;
 - b. 2%: for other activities;
2. in case of VAT exempt goods, works and services paid by cash or non-cash payment instruments:
 - a. 2%: for trade and production activities;
 - b. 3%: for other activities.

The sales tax rates are: 2% for banks, residential and commercial real estate developers¹²², and 5% for mobile network operators¹²³.

The sales tax rate, in case of sale of goods to:

1. an entity operating on the basis of a patent or activity tax in trade zones with special regime, or an entity other than importer, exporter, or distributor, selling fuels and lubricants, medicines and medical devices, or an entity that is a resident of the Creative Industries Park, or an entity that is an individual entrepreneur carrying out trading activities in markets and mini-markets, shall be as follows:
 - a. if paid by non-cash payment instruments - 2%;
 - b. if paid by cash - 3%;
2. if paid by a de-identified entity¹²⁴ - 4%.

6.6. Mining taxes

Mining taxes are:

- Bonuses;
- Royalties.

122 Developer means a taxpayer who has the right of temporary use, lease or ownership of a land plot and has an official permit to construct a real estate (apartment houses and other buildings).

123 Mobile network operator means a provider of mobile radiotelephone communications or satellite communications services listed in the license issued by the competent communications authority to the licensee providing these services.

124 A de-identified entity means an entity:

- a. to which supply of goods is made against electronic invoice not specifying the identifying details or specifying the details missing in the State Register of Taxpayers or belonging to a different taxpayer;
- b. to which goods are sold using a cash register outside the trading facility in violation of cash register operation instructions approved by the Cabinet of Ministers.

Bonuses are one-time payments for the right to engage in mineral exploration and mining activities.

Payers of bonuses are domestic entities or foreign entities operating through a permanent establishment in the Kyrgyz Republic or sole proprietors holding mineral rights.

Tax base is:

- in case of mining of a mineral deposit (except groundwater) - the amount of mineral reserves recorded by the State Balance of Mineral Reserves of the Kyrgyz Republic;
- in case of groundwater mining - the declared amount of water to be mined;
- in case of exploration and prospecting for minerals - the size of the license area;
- in case of collecting mineralogical, paleontological samples for commercial purposes and stone material for decorative purposes and using as ornamental stones and building materials - the size of the license area;
- in case of passing or transferring mineral rights - the amount of mineral reserves that have not been mined at that time according to mineral right holder reports (on mining rights), or the size of the license area;
- in case of change of shareholding of the right holder - the amount of mineral reserves that have not been mined at that time according to mineral right holder's reports (on mining rights) or the license area, in proportion to the change of such shareholding;
- in case of increase in the number of mineral reserves - the number of increased mineral reserves recorded by the State Commission on Mineral Reserves of the Kyrgyz Republic.

Rates of bonuses and procedures for their calculation are established by the Cabinet of Ministers of the Kyrgyz Republic for all types of minerals according to the classification table depending on the amount of mineral reserves to be mined, as well as the size of the license area for prospecting and exploration of minerals and the collection of mineralogical, paleontological samples for commercial purposes and stone material for decorative purposes and use as ornamental stones and building materials.

Royalties are the current payments for the right to engage in development of mineral deposits and/or extraction (recovery) of underground water.

Payers of royalties are domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic and sole proprietors engaged in:

- mining of mineral resources;

- extraction (recovery) of underground water;
- by-product extraction of oil and gas during test prospecting and exploration of hydrocarbons;
- occasional extraction of minerals for industrial experiment and testing and/or for disaster prevention and recovery.

Tax base includes:

- Proceeds from sale of mineral resources or cost of mineral resources before processing except gold, silver and platinum;
- Volume of water extracted from subsoil according to water gauge;
- Cost of chemically pure metal contained in metal-containing ore or concentrate of exchange-traded metals sold during the tax period.

Rates of royalties are set forth in the Tax Code of the Kyrgyz Republic as a percentage of proceeds or as the amount in KGS per unit of volume depending on the type of a mined (extracted) mineral and the amount of mineral reserves.

6.7. Property tax

Payers of property tax are:

1. an organization, sole proprietor or individual who has property registered or used in the Kyrgyz Republic that is:
 - held in ownership;
 - held for use along with the land plot;
 - purchased under a finance lease or mortgage contract;
 - held for use along with the structure;
2. a participant of the state housing program who has residential buildings or premises acquired under a lease purchase agreement;
3. a state or municipal enterprise which has property provided thereto for economic management;
4. legislative, judicial, executive authorities, public authorities of the Kyrgyz Republic with special status, other state agency, local self-government authority named in the Constitution of the Kyrgyz Republic, as well as state social security authority of the Kyrgyz Republic and the Deposit Protection Agency, for the property leased thereto or used for recreation, leisure and entertainment purposes.

Object of taxation is:

1. the right of ownership of property registered or subject to registration in the Kyrgyz Republic;
2. the right of economic management of property registered or subject to registration in the Kyrgyz Republic;
3. the right of temporary use of land owned by the state or municipal authority;
4. the right of operational management of property used for recreation, leisure and entertainment purposes;
5. the right of use of state and/or municipal property under the lease agreement;
6. the right of use of exempt property under the lease agreement.

Tax base includes:

1. for buildings, premises, structures and land plots: an area of buildings, premises, structures and land plots in square meters;
2. for vehicles, including aircraft and water vessels:
 - with internal combustion engine: engine capacity in cubic centimeters or book value in soms;
 - without internal combustion engine: book value in soms;
 - without internal combustion engine and book value: value in soms determined in the manner prescribed by the Cabinet of Ministers.

The property tax rates are:

- **0.35%** for residential buildings and premises;
- **0.8%** for non-residential buildings, structures and premises;
- **1%** for land plots other than agricultural land;
- **0.1%** for agricultural land;
- For vehicles, including aircraft and water vessels:
 1. **1%** for internal-combustion engine vehicles with specified engine displacement;
 2. **0.5%** for transport vehicles without internal-combustion engine as well as internal-combustion engine vehicles without specified engine displacement.

The amount of property tax is calculated according to the formula:

$$T = TB \times TV \times R,$$

where:

T is property tax amount;

TB is taxable base;

TV is taxable value per unit of property;

R is tax rate.

6.8. Deductions to the Social Fund of the Kyrgyz Republic

Payers of state social security contributions are:

- Legal entities, including foreign ones, regardless of their legal structure or form of ownership, and their standalone subdivisions (branches and representative offices);
- Peasant (husbandry) farms;
- Sole proprietors and individuals.

Rates and base of social security contributions are set by the Law “On Tariffs of State Social Security Contributions” depending on the payer’s status, tax regime, type of activity and other factors. For employers, the rates of social security contributions are set at up to 17.25% of all types of payments due to employees hired by them for permanent or temporary job. For employees, the rates of social security contributions are set at up to 10% of all types of payments due to employees. That being said, employers are responsible for the proper assessment, withholding and remittance of both parts of social security contributions.

Also, from January 1, 2019, the Social Fund’s administrative functions with respect to state social insurance contributions were transferred to the State Tax Service. At the same time, the matters related to the collection, control over the calculation and payment of insurance contributions to the state social insurance fund, imposition of liability on the payers of insurance contributions for violating the state social insurance law are regulated by the tax law of the Kyrgyz Republic to the extent not covered by and not inconsistent with the state social insurance law, also, the payers of insurance contributions are equated to taxpayers, and control over the calculation and payment of insurance contributions is equated to tax control.

6.9. Charges and other mandatory fees

Additionally, Kyrgyz law imposes certain charges and other mandatory fees on business entities depending on their status and type of activity, such as customs fees (refer to section 15), license retention fees, company registration and re-registration fees, vehicle registration fees, apostille fee, subsoil use license fees, waste disposal fees, local infrastructure development and maintenance fees, etc.

6.10. Special Tax Regimes

In addition to general tax regime, Kyrgyz law establishes special tax regimes for specified categories of taxpayers. These regimes are:

- Simplified single tax-based tax regime;
- Patent-based tax regime;
- Free economic zone tax regime;
- High-tech park tax regime;
- Crypto mining tax;
- E-commerce tax;
- Gambling tax.

Under simplified single tax-based tax regime, small and medium enterprises and sewing and textile industry entities pay single tax instead of profit tax or sales tax on their taxable income, and also entities engaged in taxable import of goods with imputed assessment of import VAT pay single tax instead of profit tax, sales tax and VAT on taxable supplies.

Single tax rates

1. A taxpayer must pay tax depending on the type of activity at the following rates:
 - 1) For trade activity carried out by:
 - a. an entity other than importer, exporter, or distributor, who sell fuels and lubricants, medicines and medical devices, whose revenue volume for the last 12 months is:
 - less than 30,000,000 soms – 0.5%;
 - 30,000,000 to 50,000,000 soms – 1%;
 - b. an entity not specified in a) above:

- if paid by cash – 4%;
 - if paid by non-cash payment instruments - 2%;
 - if paid by a de-identified entity - 4%;
- 2) For agricultural processing, production, tour operator, software engineer, and travel agency activities: fo trade:
 - a. 4%, if paid by cash;
 - b. 2%, if paid by non-cash payment instruments;
 - 3) For other activities:
 - a. 6%, if paid by cash;
 - b. 4%, if paid by non-cash payment instruments.
2. An entity subject to conditional VAT regime must pay tax at the rate of 3%.
 3. A sewing and/or textile industry entity must pay tax at the rate of 0.25% during the period until January 1, 2027.
 4. An entity engaged in lottery activity, or providing sauna, billiard or bath services, except municipal bath services, must pay tax at the rate of 8%.
 5. An entity engaged in catering activity must pay tax at the rate of:
 - 1) In Bishkek and Osh:
 - a. 6%, if paid by cash;
 - b. 4%, if paid by non-cash payment instruments;
 - 2) In the rest of the territory of the Kyrgyz Republic:
 - a. 4%, if paid by cash;
 - b. 2%, if paid by non-cash payment instruments.
 6. A creative industries park resident must pay tax at the rate of:
 - 1) in 2023 and 2023 – 0.5%;
 - 2) in 2025 and 2026 – 1%;
 - 3) from 2027 – 2%.

A taxpayer engaged in several types of activities must calculate and pay tax separately for each type of activity at the rates established for those types of activities.

A sole proprietor who sells goods, works and services to the population, is not listed in points 2-6 above, and is not engaged in export or import operations, must pay tax at the rate of 0%, if all of the following conditions are met:

1. the revenue size does not exceed 8,000,000 soms for the last 12 consecutive months;
2. the activity is carried out:
 - a. with the use of cash register;
 - b. with the engagement of not more than 2 salaried employees;
3. the taxpayer observes the requirement of payment of insurance contributions under the legislation of the Kyrgyz Republic on state social insurance.

A sole proprietor engaged in the trade activity must pay tax at 0%, if, in addition to the above conditions, the activity is carried out in the trading facility.

A sole proprietor carrying out the trade activity at markets and minimarkets determined by the Cabinet of Ministers must pay tax at the rate of 0.1%, if all of the following conditions are met:

1. the revenue size does not exceed 100,000,000 soms for the last 12 consecutive months;
2. the activity is carried out with the use of cash registers, electronic invoices, and accompanying documents in the manner provided by law;
3. the sole proprietor is not engaged in the following types of activity:
 - a. production of goods;
 - b. sale of alcohol products, tobacco products, medicines, medical devices, jewelry made of precious metals;
4. the sole proprietor is not engaged in export and import operations.

Patent-based tax is imposed instead of corporate income tax, VAT on taxable supplies and sales tax or personal income tax for self-employed persons. The patent certifies the right of the taxpayer to engage in the activity specified in the patent, to pay taxes applicable to the activity specified in the patent, to receive income during the tax period covered by the patent. The patent-based tax applies to self-employed persons or sole proprietors engaged in activities specified in the list approved by the Cabinet of Ministers and to organizations engaged in exchange bureau services. The base patent-based tax amounts by types of activity are determined by the Cabinet of Ministers of the Kyrgyz Republic.

A sole proprietor is different from a self-employed person operating in accordance with the requirements of the Tax Code.

Free economic zones tax regime applies only to FEZ entities engaged in the production and sale of goods (works, services) other than excisable goods, except for enterprises engaged in the production and sale of tobacco products subject to excise tax and VAT upon import to the rest of the territory of the Kyrgyz Republic, registered before 2000. FEZ entities may be only organizations (re)registered with the FEZ General Directorate as well as branches (representative offices) previously registered with the FEZ General Directorate, prior to the entry into force of the Law of the Kyrgyz Republic "On Free Economic Zones in the Kyrgyz Republic" dated January 11, 2014 No. 6. FEZ entities are exempt from all taxes except personal income tax and other taxes withheld and paid at source in respect of activities carried out by them in FEZ territory. For the above tax benefits FEZ entities pay to the FEZ General Directorate a fee of 0.5% to 2% of proceeds from sale of goods, works and services. The fee for operating as a FEZ entity in FEZs created for the purposes of accelerated development of regions is set at the rate of 0.1% to 2% of proceeds from sale of goods, works and services. With respect to activities carried out in the rest of the territory of the Kyrgyz Republic and abroad, FEZ entities are subject to general tax regime.

High-tech park tax regime applies only to residents of high-tech parks engaged in business or international trade, provided that they comply with the requirements set forth in Kyrgyz law on high-tech park. Residents of high-tech parks are exempt from corporate income tax, VAT and sales tax for the period determined in accordance with Kyrgyz law on high-tech park, while employees of residents of high-tech park pay personal income tax at a reduced rate of 5%. The funding for the directorate of high-tech park comes from deductions from revenues of its residents at the rate of 1%.

Crypto mining tax. Payers of crypto mining tax are legal entities and sole proprietors engaged in crypto mining which is an activity involving the use of computer software and hardware required to run the ledger of transaction blocks, known as the blockchain, by adding a new transaction to the distributed ledger of existing transactions (according to predetermined rules and principles), and requiring an uninterrupted power supply. Crypto mining tax must be paid instead of corporate income tax, sales tax and VAT on taxable supplies. The crypto mining tax rate is 10% of the amounts charged for electricity consumed during such mining, including VAT and sales tax.

E-commerce tax applies to legal entities and sole proprietors engaged in electronic sale of goods based on the use of a domain name or IP address registered in the Kyrgyz Republic, or in activities of a trading platform operator under e-commerce law of the Kyrgyz Republic. E-commerce tax applies to e-commerce activities instead of corporate income tax, VAT on taxable supplies and sales tax. The tax rate is 2% of proceeds from electronic services or sale of goods.

Gambling tax applies only to entities engaged in activities that meet the requirements of the gambling law of the Kyrgyz Republic. Such entities must pay gambling tax instead of:

1. corporate income tax;
2. VAT on taxable supplies;
3. sales tax.

Taxable gambling activities include the organization and conduct of gambling and the provision of access to gambling outlets such as casinos, slot machines, computer simulators, interactive facilities, electronic (virtual) casinos, bookmakers, totalizators, regardless of server location.

Tax base is:

1. For gambling establishments (casinos): gaming equipment.
2. For totalizators and bookmakers: 1 bet acceptance point (cash desk).
3. For online and electronic (virtual) casinos, regardless of server location: the amount of revenue of the taxpayer.

Gambling tax must be paid at the rates specified below.

Tax rates:

1. for 1 gaming table (1 fleet) of the casino:
 - in 2022 - 750,000 soms;
 - in 2023 - 1,000,000 soms;
 - from 2024 - 1,250,000 soms;
2. for 1 slot machine of the slot machine and computer simulator hall:
 - in 2022 - 50,000 soms;
 - in 2023 - 75,000 soms;
 - from 2024 - 100,000 soms;
3. for 1 bet acceptance point (cash desk) of a bookmaker and totalizator:
 - in 2022 - 200,000 soms;
 - in 2023 - 350,000 soms;
 - from 2024 - 500,000 soms;
4. for online casinos and electronic (virtual) casinos, tax rate is 4 percent.

Special regime trade zone tax applies only to taxpayers operating in the territory of trade markets classified as strategic objects in accordance with the legislation of the Kyrgyz Republic on strategic objects (the “special regime trade zone”). The tax is paid instead of corporate income tax, sales tax and VAT.

The tax rate is set per each trade outlet depending on the declared volume of revenue planned to be received for the current calendar year in the following amounts:

1. if less than 4,000,000 soms, for portable stalls, stands, tents, push-carts, canopies: 18,000 soms;
2. if less than 8,000,000 soms: 42,000 soms;
3. if 8,000,000 soms to 15,000,000 soms: 96,000 soms;
4. if 15,000,000 soms to 22,000,000 soms: 168,000 soms;
5. if 22,000,000 soms to 30,000,000 soms: 252,000 soms;
6. if 30,000,000 soms to 50,000,000 soms: 360,000 soms;
7. if 50,000,000 soms to 100,000,000 soms: 500,000 soms;
8. if 100,000,000 soms to 150,000,000 soms: 800,000 soms;
9. if 150,000,000 soms to 200,000,000 soms: 900,000 soms;
10. if more than 200,000,000 soms: 1,000,000 soms.

Preferential tax regime

Article 183 of the Tax Code stipulates preferential industrial activities that are subject to preferential tax regime in preferential settlements. The Cabinet of Ministers is authorized to approve a list of preferential industrial activities subject to preferential taxation and carried out in the territory of an administrative territorial unit enjoying special status under the law of the Kyrgyz Republic.

The list of preferential industrial activities may be revised on the basis of the analysis of effectiveness of benefits granted.

Tax benefits in the territory mentioned above are granted to taxpayers registered with the tax authorities of an administrative-territorial unit enjoying special status under the laws of the Kyrgyz Republic and carrying out the activities determined by the Cabinet of Ministers in the territory of this administrative-territorial unit.

Tax benefits apply to taxpayers but not to their separate subdivisions located outside the territory enjoying special status.

The Cabinet of Ministers approves the list of organizations subject to preferential taxation with respect to corporate income tax, VAT and sales tax on goods, works and services sold by organizations of national and/or state and/or investment importance within the limits of tax rates established by the Tax Code, as well as the procedure for granting tax benefits.

Tax benefits are granted to organizations for a period of 5 years.

The Cabinet of Ministers may extend the period of tax benefits for another 5 years on the basis of the analysis of effectiveness of benefits granted.

6.11. Double Taxation Treaties

To avoid double taxation and prevent income tax and capital tax dodging, the Kyrgyz Republic has signed a number of bilateral treaties with the following countries¹²⁵:

- The Republic of Kazakhstan (on April 8, 1997 in Almaty with effect from March 31, 1998);
- The Republic of Belarus (on June 26, 1997 in Bishkek with effect from May 12, 1998);
- The Republic of Ukraine (on October 16, 1997 in Bishkek with effect from May 1, 1999);
- The Republic of Tajikistan (on May 6, 1998 in Bishkek with effect from February 1, 1999);
- The Republic of Uzbekistan (on December 24, 1996 in Tashkent effective from March 17, 2000);
- The Russian Federation (signed on January 13, 1999 in Moscow with effect from September 6, 2000);
- The People's Republic of Mongolia (on December 4, 1999 in Bishkek with effect from September 15, 2004);
- The Republic of India (on April 13, 1999 in New Delhi with effect from January 4, 2001);
- Canada (on June 4, 1998 in Ottawa with effect from December 4, 2000);
- The Republic of Poland (on November 19, 1998 in Warsaw with effect from June 22, 2004);
- Malaysia (on November 17, 2000 in Kuala Lumpur with effect from December 26, 2006);
- The Republic of Turkey (on July 1, 1999 in Ankara with effect from December 20, 2001);
- The Swiss Confederation (on January 26, 2001 in Davos with effect from June 5, 2002);
- The Islamic Republic of Iran (on April 29, 2002 in Bishkek with effect from September 16, 2005);

125 Information taken from the website of the State Tax Service of the Kyrgyz Republic as of February 5, 2024: https://sti.gov.kg/section/0/%D0%BD%D0%B0%D0%BB%D0%BE%D0%B3%D0%BE%D0%B2%D1%8B%D0%B5_%D1%81%D0%BE%D0%B3%D0%BB%D0%B0%D1%88%D0%B5%D0%BD%D0%B8%D1%8F

- The People’s Republic of China (on June 24, 2002 in Beijing with effect from March 29, 2003);
- The Republic of Austria (on September 18, 2001 in Vienna with effect from May 1, 2003);
- The Republic of Finland (on April 3, 2003 in Helsinki with effect from February 28, 2004);
- The Republic of Moldova (on April 17, 2004 in Bishkek with effect from January 16, 2006);
- The Federal Republic of Germany (December 1, 2005 in Bishkek with effect from December 22, 2006);
- The Republic of Lithuania (on May 16, 2008 in Bishkek with effect from June 20, 2013);
- The Republic of Latvia (on December 7, 2006 in Bishkek with effect from March 4, 2008);
- The Republic of Pakistan (on January 18, 2005 in Islamabad with effect from January 12, 2012);
- The Republic of Korea (on December 11, 2012 in Seoul with effect from November 22, 2013);
- The United Arab Emirates (on December 7, 2014 in Abu Dhabi with effect from December 16, 2015);
- Qatar (on June 1, 2014 in Doha with effect from May 4, 2015);
- Kuwait (on December 13, 2016 in Al Kuwait with effect from May 23, 2017);
- Kingdom of Saudi Arabia (on December 2, 2014 in Ar Riyadh with effect from October 1, 2015);
- The Republic of Estonia (on April 10, 2017 in Tallinn with effect from February 7, 2018);
- Turkmenistan (on August 23, 2018 in Ashgabat with effect from November 12, 2019);
- The United Kingdom (on June 13, 2017 in Bishkek with effect from March 17, 2023);
- The Czech Republic (on April 9, 2019 in Bishkek with effect from November 30, 2020);
- The Republic of Armenia (on August 9, 2019 in Cholpon Ata with effect from February 9, 2022);
- The Republic Hungary (on September 29, 2020 in Budapest with effect from September 18, 2021)
- The Republic of Georgia (on October 13, 2016 in Tbilisi with effect from May 29, 2023).

7. ACCOUNTING AND AUDITING

Financial Reporting

The Kyrgyz Republic has adopted International Financial Reporting Standards developed by the International Accounting Standards Board (London) as the unified methodological basis for accounting and financial reporting. That being said, small business enterprises may use simplified accounting and financial reporting rules established by the Cabinet of Ministers of the Kyrgyz Republic.

For Islamic banking and finance services, methodological basis for accounting and financial reporting is Islamic financial accounting standards adopted in accordance with Kyrgyz law¹²⁶.

Auditing

The Kyrgyz Republic has adopted International Standards on Auditing issued by the International Federation of Accountants through the International Auditing and Assurance Standards Board (New York City, USA). Islamic financial institutions use the auditing standards for Islamic financial institutions developed by the Accounting and Auditing Organization for Islamic Financial Institutions, established and based in Manama, Bahrain.¹²⁷

Under Kyrgyz law, external audit is mandatory for banks and other organizations licensed by the National Bank of the Kyrgyz Republic, insurance organizations, public companies making initial public offerings of securities, investment funds, private pension funds, and such other persons as may be specifically set forth in Kyrgyz law. For other persons, audit is optional.

There are more than 49 licensed audit companies operating in the Kyrgyz Republic¹²⁸.

126 Article 1 of the Law of the Kyrgyz Republic dated April 29, 2002 No. 76 "On accounting" (with the latest amendments as of January 18, 2022 No.4).

127 Resolution of the Government of the Kyrgyz Republic dated August 26, 2008 No. 470 "On International Standards on Auditing in the Kyrgyz Republic" (with the latest amendments as of October 31, 2019 No. 586).

128 Information is taken from the website of the State Service for Regulation and Supervision of Financial Market under the Ministry of Economy and Finance of the Kyrgyz Republic as of February 2024: <https://fsa.gov.kg/#/registries/ul/5cddef55-f26c-4be8-922c-0aadb6b44cbc>.

8. FOREIGN EXCHANGE POLICY AND CONTROL

The National Bank of the Kyrgyz Republic (the “National Bank”)¹²⁹ is the public authority responsible for the development and implementation of the uniform monetary policy and authorized to conduct foreign exchange transactions, including the purchase and sale of precious metals and foreign currency in foreign exchange markets, as well as the import (export) of precious metals and any currency without limitations for the purposes of managing international reserves and conducting monetary policy, engaging in its activities and protecting economic interests of the Kyrgyz Republic.

The national currency of the Kyrgyz Republic is the som, which is the only legal tender in the entire territory of the Kyrgyz Republic, mandatory for acceptance without limitations for all types of payments.

In the Kyrgyz Republic, settlements and payments must be made in the national currency of the Kyrgyz Republic, unless otherwise provided by law. Prices for goods and services must be indicated in soms and without reference to the foreign exchange rate, except contracts for supply of exported and imported goods and services, when the payment currency is determined by agreement of the parties. It is prohibited to display prices in advertisements in foreign currency. Settlements and payments in foreign currency in the Kyrgyz Republic must be made in the manner established by the National Bank.

Under Kyrgyz law, local resident may take loans and credits in any currency, as well as buy and sell foreign currency without restriction or unreasonable delay at authorized banks or exchange bureaus. Residents (individuals and legal entities) who received external loans (credits) must report to the statistics authorities and the National Bank to keep track of the private sector external debt. When receiving loans or opening accounts and deposits outside the Kyrgyz Republic, residents of the Kyrgyz Republic are required to register them with the National Bank and, upon request, provide information on these accounts and deposits, declarations, other documents and information related to transactions in foreign currency.

On the 8th of May 1992, the Kyrgyz Republic joined the International Monetary Fund (IMF), and in March 1995 assumed obligations under Article VIII of the IMF Agreement, under which the Kyrgyz Republic shall not, without the approval of the IMF, impose restrictions on the making of payments and transfers for current international transactions or engage in any discriminatory currency arrangements or multiple currency practices.

¹²⁹ Constitutional Law on the National Bank of the Kyrgyz Republic, August 11, 2022, No.92.

Thus, foreign exchange control is quite liberal in the Kyrgyz Republic, as there are no restrictions upon:

- Transfer of foreign currency across borders;
- Currency import and export, if declared at customs points;
- Foreign exchange transactions, including one-time transactions;
- Purchase and sale of foreign currency by residents and non-residents at duly licensed banks, credit unions, specialized financial institutions holding appropriate licenses issued by competent public authorities;
- Current payments, operating revenues and cross-border transfer of capital.

That said, the National Bank has the right to restrict transfers of funds and capital to ensure performance by the Kyrgyz Republic of its international obligations and protection of economic security of the Kyrgyz Republic.

As mentioned above, residents of the Kyrgyz Republic must register¹³⁰ with the National Bank their accounts and deposits opened in foreign banks, and quarterly by the 15th day of the month following the reporting quarter, submit account statements as of the end of the preceding quarter¹³¹. Notices can be sent by mail (registered mail) or delivered to the expedition of the National Bank by hand. If necessary, the National Bank may request more detailed information on these accounts or deposits.

The purpose of the National Bank's requirement for registration of accounts and deposits opened by residents of the Kyrgyz Republic with foreign banks is to improve the information base necessary for compiling the balance of payments of the Kyrgyz Republic. The balance of payments means statistical reporting, which reflects the aggregate data on international economic transactions of the Kyrgyz Republic with other countries of the world for a certain period of time.

130 Article 39, National Bank of the Kyrgyz Republic, Banks and Banking Act, December 16, 2016 No. 206 (as last amended November 29, 2021, No.143).

131 Regulation on registration of accounts and deposits of residents of the Kyrgyz Republic opened with foreign banks approved by the Resolution of the Executive Board of the National Bank of July 5, 2000 No. 26/2 (with the latest amendments dated June 14, 2017 No. 2017-P-10/24).

9. BANKING SYSTEM

State Regulation

The banking system of the Kyrgyz Republic consists of the National Bank of the Kyrgyz Republic, commercial banks and other financial institutions. Banking activities are regulated by the Constitutional Law “On the National Bank of the Kyrgyz Republic”, the Law of the Kyrgyz Republic “On Banks and Banking” and a number of normative acts of the National Bank.

The National Bank is a central bank of the Kyrgyz Republic owned by the Kyrgyz Republic. The goal of the National Bank is to achieve and maintain price stability by pursuing the appropriate monetary and credit policy. The primary tasks aimed at achieving the goal of the National Bank are to maintain the purchasing power of national currency and to ensure efficiency, safety and security of banking and payment systems of the Kyrgyz Republic.

The governing bodies of the National Bank are:

1. The Executive Board of the National Bank, a chief governing body;
2. The Chairman of the National Bank, a chief executive officer.

The Executive Board of the National Bank is a collegial body responsible for the overall strategy, direction and management of the National Bank. The Executive Board of the National Bank consists of the Chairman of the National Bank, three Deputy Chairmen and three members of the Executive Board of the National Bank. The Executive Board of the National Bank functions on a permanent basis.

The National Bank issues normative legal acts forming an integral part of the banking legislation of the Kyrgyz Republic. Normative legal acts of the National Bank directly affecting the interests of individuals and legal entities, as well as regulating entrepreneurial activity must be officially published in the manner prescribed by Kyrgyz law in the official gazette and on the official website of the National Bank (www.nbkr.kg).

The powers and functions of the National Bank are: to regulate and oversee the banking system of the Kyrgyz Republic, including banks and banking groups, to regulate and oversee non-bank financial institutions and other legal entities supervised by the National Bank; to determine and pursue monetary policy, to promote financial stability of the Kyrgyz Republic; to develop and pursue unified currency policy; to release banknotes of national currency of the Kyrgyz Republic on an exclusive

basis and to organize cash turnover; to undertake various types and principles of bank financing; to oversee the payment system, to facilitate the effective, reliable and safe operation of the payment system of the Kyrgyz Republic; to issue approvals and permits; to determine the rules of carrying out Shariah-compliant banking operations and finance transactions; to act as the lender of last resort to banks; to own and manage all international reserves; to prepare a balance of payment statement together with the statistics authority, and to determine the international investment position of the Kyrgyz Republic; to draft and issue normative legal acts; to represent and act on behalf of the Kyrgyz Republic before international organizations on the matters related to monetary and credit policy, banking and payment systems; to conduct banking transactions; to release (issue) electronic money; to act as the antitrust regulator for persons supervised by the National Bank and to oversee their compliance with the consumer protection law, to exercise the right of first refusal to purchase refined precious metals and precious stones, to issue refined precious metal bars and to exercise other powers in accordance with Kyrgyz law.

Monetary and credit policy

Monetary and credit policy is determined and carried out by the National Bank. When conducting monetary policy, the National Bank may interact with the Cabinet of Ministers of the Kyrgyz Republic. The National Bank independently and in cooperation with the Cabinet of Ministers of the Kyrgyz Republic implements measures aimed at ensuring the financial stability of the Kyrgyz Republic, including macroprudential regulation.

To achieve its goals and objectives, the National Bank may carry out the following operations: buying and selling government securities at the secondary market; buying and selling securities issued and guaranteed by the National Bank; buying and selling foreign currency, precious metals and stones; making loans to banks; and use other liquidity regulatory instruments, international best practices and methods.

Establishment and Licensing of Banks

A bank can be established and operate only as a joint-stock company (whether closed or open). For new commercial banks (including branches of foreign banks), the minimum charter capital must not be less than KGS 1 billion (or approximately USD 11.24 million). For existing commercial banks, the minimum charter capital is KGS 600 million (around USD 6.7 million) from July 1, 2023; KGS 800 million (around USD 9 million) from July 1, 2024; and KGS 1 billion from July 1, 2026. For existing systemically important commercial banks, the minimum charter capital is KGS 2 billion (around USD 22.4 million).

A bank may conduct the following banking operations in national and/or foreign currency to the extent expressly provided in the license:

- Accepting deposits on its own behalf on a contractual basis;
- Investing own or borrowed funds on its own behalf on a contractual basis;
- Opening and maintaining accounts;
- Providing settlement, payment and cash services to customs and correspondent banks at their request;
- Issuing, buying, cashing, accepting, keeping, and confirming payment instruments (cheques, letters of credit, promissory notes, and other), including credit and debit cards;
- Buying the creditor's rights in accounts receivable (factoring);
- Paying off debt by buying promissory notes and bills of exchange (forfaiting);
- Issuing and placement of debt securities;
- Issuing bank guarantees;
- Providing money transfer services, including without opening an account;
- Providing correspondent banking services;
- Providing foreign currency account services and buying and selling (exchanging) foreign currency on behalf of its clients;
- Buying and selling (exchanging) foreign currency on its own behalf;
- Making transactions in precious metals (silver, gold and platinum bars and coins);
- Making transactions in derivative financial instruments (derivatives);
- Issuing electronic money;
- Accepting and making payments and settlements for goods and services, other than the outcome of its activities, in favor of third parties through payment systems based on information technology and on electronic means and methods of payment;
- Acceptance, processing and delivery of financial information (processing, clearing) about payments and settlements of third parties to participants of the payment system of this processing and clearing center.

Banks may engage in the following activities and transactions:

- Issuing surety bonds and other obligations in favour of third parties;
- Issuing, buying or selling securities, and providing securities servicing and depository services;

- Providing non-cash assets trustee services;
- Providing safe deposit box services;
- Selling a collateral pledged to secure a bank loan;
- Providing investment services;
- Providing banking consulting services;
- Providing financial leasing services;
- Providing financial agent services;
- Providing electronic commerce and other trading/service platform operator services in accordance with the normative legal acts of the National Bank.

Banks may undertake other activities permitted by Kyrgyz law and not inconsistent with banking legislation of the Kyrgyz Republic. A bank may undertake only that activity which is necessary for its principal business activity or related to banking services.

A bank may engage in other types of licensable activities with the approval of the National Bank.

Foreign banks may set up their representative offices, subsidiaries or joint ventures in the Kyrgyz Republic with the approval of the National Bank. Branches of foreign banks must obtain the license from the National Bank.

Lending services

A bank must provide lending services in compliance with responsible lending policy and banking legislation of the Kyrgyz Republic. A bank must have in place a lending policy approved by its Board of Directors and an effective credit risk management system. The Board of Directors must periodically (at least once a year) revise the bank's lending policy, credit exposure limits, credit risk management tools and procedures, and internal credit risk management control and audit policies. A bank must provide lending services subject to the National Bank requirements for lending and credit risk management policies. Islamic investment services must be provided in accordance with the banking legislation of the Kyrgyz Republic subject to specifics and peculiarities of Islamic banking and finance.

Mandatory deposit protection system

Participation in deposit protection system is mandatory for all banks, microfinance companies and deposit-taking housing savings and loan associations operating in the country. The functions of deposit protection system, formation and use of Deposit Protection Fund, payment of deposit protection

compensations, relations among competent deposit protection authority, banks, National Bank, and other public authorities, and other related matters are regulated by the law on protection of bank deposits. A bank may choose to use additional deposit protection schemes applied in international banking practices.

Bank investments

A bank may undertake investments subject to the following requirements and restrictions:

1. the bank's participation in a non-bank financial institution must be undertaken as a long-term investment;
2. the bank's investment in each non-bank financial institution, including any financial inputs and loans, must not exceed 15% of the bank's equity (regulatory) capital, or 30% for banks providing Islamic banking and finance services. The total amount of such investments may not exceed 60% of the bank's equity (regulatory) capital;
3. the size of the bank's investment in real estate must not exceed specified limits;
4. related persons must be treated as one person.

Standards and Mandatory Requirements for Banks

The National Bank establishes standard requirements for banks, including minimum capital and reserve funds requirements. The National Bank also establishes mandatory requirements for officers of commercial banks (chairman and members of the Board of Directors, chief executive officer, deputy chief executive officer, and members of the Executive Committee, chairman of the Audit Committee, chief credit officer, chief accountant, internal auditor and others) who are appointed with the mandatory approval of the National Bank.

Foreign-owned banks are subject to the same requirements as domestic banks, including minimum authorized capital, minimum reserve funds and other requirements.

Bank audit

Banks are subject to annual external audit in accordance with international standards on auditing. The bank's Board of Directors must select and propose prospective audit firm or auditor candidates to the general meeting of shareholders. The bank must notify the National Bank of the audit firm and auditor candidates within not later than 90 business days prior to the date of the general meeting of shareholders. The National Bank may reject the audit firm or auditor candidates as inconsistent

with the bank audit requirements and notify the bank thereof within at least 10 business days from the date of receiving the notice. The bank's external auditor can be only the audit firm included in the Uniform State Register of Auditors, Audit Firms and Professional Auditors Associations in the Kyrgyz Republic and meeting the bank audit requirements of the National Bank.

The external auditor must be independent from the bank, which means the ability to act independently and freely from outside influence on the audit results, findings and opinions, under conditions preventing any outside influence on the external auditor's ability to express its opinion. The audit services contract must contain a disclaimer that the audit firm or any of its auditors or other employees has no interests in the bank, is independent and not bound by any relationship with the bank and its officers.

Bank Secrecy

Disclosure of information protected by bank secrecy is regulated by the Law on Banks and Banking.

Information protected by bank secrecy means any data provided by the client to the bank or created by the bank in the course of providing banking services or otherwise arising from relationships between the bank and the client, including their pre-contractual relationships.

Information protected by bank secrecy may be transferred by the bank for use and such transfer shall not constitute disclosure of bank secrecy, to the extent that it is transferred to the following persons and used for the following purposes:

1. to bank employees in order to perform their official duties related to the bank's principal business;
2. to persons providing services to the bank in connection with the bank's business if such information is necessary for such services;
3. to a person exercising control over the bank in order to prepare the consolidated report;
4. to the court reviewing the disputes between the bank and the client in the case and to the extent necessary to protect their rights and legitimate interests. At the request of the bank or its client, the hearing may be held in private.

That said, the bank must ensure protection and confidentiality of information protected by bank secrecy and disclosed to the above persons.

Exchange of information protected by bank secrecy

To minimize credit risks and to exchange information, banks and other financial institutions are required to exchange credit information on their customers through a credit bureau (Ishenim Credit Bureau CJSC) and other credit bureaus. In addition, banks are permitted, by agreement, to share information protected by bank secrecy with each other.

The provision and circulation of information protected by bank secrecy for the purposes listed in the legislation on exchange of credit information are not regarded as disclosure of bank secrecy. Banks may provide information protected by bank secrecy to credit bureaus (and vice versa) with the consent of their clients who are owners of credit information.

Anti-Money Laundering and Counter-Terrorism Financing Measures

Under Kyrgyz law¹³², financial institutions and non-financial entities must report suspicious transactions to the Financial Intelligence Unit in the following cases:

1. if a reporting entity suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity (including predicate offences), or are related to money-laundering;
2. if a reporting entity suspects or has reasonable grounds to suspect that funds are related to the financing of terrorists or extremists (organizations, groups) or terrorist or extremist activities.

All suspicious operations (transactions) should be reported regardless of the amount of the transaction, committed or attempted, within 5 hours after identifying such transactions.

Also, financial institutions and non-financial entities must report to the Financial Intelligence Unit any operations (transactions) with individuals or legal entities registered or operating in high-risk countries¹³³ and any operations (transactions) carried out by individuals who have been convicted of money laundering or terrorist or extremist financing offences, regardless of the amount of the operation (transaction), within 2 business days from the date of carrying out such operation (transaction).

Financial institutions and non-financial entities must report to the Financial Intelligence Unit any cash operations (transactions) in an amount equal to or exceeding the threshold amount within 3 business days after their commission. The list of cash operations (transactions) and their threshold

¹³² Law of the Kyrgyz Republic "On Combating the Financing of Terrorism and Legalization (Laundering) of Criminal Proceeds" of August 6, 2018, No.87 (with the latest amendments of December 28, 2022 No. 125).

¹³³ <https://fiu.gov.kg/uploads/5c51ce544cc2c.pdf>

amount are established by the Cabinet of Ministers of the Kyrgyz Republic based on the results of the national risk assessment.

Financial institutions include mortgage companies; commercial banks; credit unions; leasing companies; pawnshops; microfinance organizations (micro-credit agencies, micro-credit companies, microfinance companies, specialized financial institutions); accumulative pension funds; exchange bureaus; payment system (e-money processing) operators; reinsurance organizations and brokers; payment service providers; postal service organizations; professional securities market participants; home savings and loan companies; insurance organizations; insurance brokers; commodity exchanges; e-money issuers and agents (distributors), virtual asset service providers.

Non-financial entities include: public and private notaries; private lawyers (entrepreneurs), law firms and their employees (legal counsels) providing professional services related to the preparation or execution of operation (transaction) on behalf of or under the instructions of their client on a contractual basis; realtors (agents, brokers, intermediaries, real estate sales agencies, real estate trust managers); individuals or legal entities carrying out transactions involving precious metals and stones, jewellery, and precious metal scrap; individuals or legal entities providing services related to the establishment or management of legal entities.

The list of financial institutions and non-financial entities kept in the electronic database is compiled and published by a competent public authority determined by the Cabinet of Ministers of the Kyrgyz Republic.

Deposit Insurance

Pursuant to the Law of the Kyrgyz Republic “On Protection of Bank Deposits”, there has been established the Deposit Protection Fund which is administered by the Deposit Protection Agency.

When an insurance contingency occurs, each depositor shall be paid a compensation of not more than KGS 1 million (about USD 11,200 as of early 2024) in total, including interests on deposits.

An insurance contingency means revocation by the National Bank of the license of a bank, microfinance company or home savings and loan company. The Law also provides for a category of deposits not subject to compensation:

1. deposits of persons related to a bank, microfinance company or home savings and loan company;
2. deposits of persons who were foreign consultants or external auditors of a bank, microfinance company, or home savings and loan company during the last 3 years;

3. deposits of persons placed by order (power of attorney) of the legal entity;
4. deposits which are subject to restrictions or attachments under the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking", "On Microfinance Organizations in the Kyrgyz Republic" and the law regulating home savings and loan companies;
5. deposits in branches of a resident bank or resident microfinance company located outside the Kyrgyz Republic.

Banking Services

In the Kyrgyz Republic, pursuant to the data of the National Bank, as of late 2023, there are 23 registered commercial banks. Also, there is a representative office of the Interstate Bank in the Kyrgyz Republic.

Islamic Finance Principles in Kyrgyzstan

Along with traditional banking services, Islamic finance is actively developing in Kyrgyzstan. In May 2006, the Kyrgyz Republic, the Islamic Development Bank and EcolIslamicBank CJSC signed a Memorandum of Understanding on introduction of Islamic banking and finance principles in the Kyrgyz Republic. The parties to this Memorandum agreed to ensure phased introduction of the Islamic banking and finance principles in the banking system of the Kyrgyz Republic as an alternative to conventional financing principles.

In December 2016, the Kyrgyz Civil Code was amended to include the Islamic finance principles which entered into force in the middle of 2017¹³⁴. Previously, Islamic banking services were regulated by the normative acts of the National Bank.

Many financial institutions have opened the so called Islamic windows to provide Islamic finance products. In addition, there are microfinance and finance lease organizations offering only Islamic finance services.

¹³⁴ Articles 738-1 to 738-57 of the Civil Code, Part II of January 5, 1998 No. 1 (as last amended October 5, 2023 No. 185).

10. EMPLOYMENT RELATIONS

Labour Law

The principal legal act regulating employment relations is the Labour Code of the Kyrgyz Republic¹³⁵.

Treaties and other international law instruments ratified by the Kyrgyz Republic constitute an integral part of the current Kyrgyz law and are binding in their entirety and directly applicable in the Kyrgyz Republic. It must be noted that the rules of the treaties ratified by the Kyrgyz Republic which are more favourable to employees shall prevail over the rules set forth in the laws and other legal acts of the Kyrgyz Republic, contracts or collective agreements.

Employment Contract

An employment contract is an agreement between an employee and an employer whereby the employer undertakes to provide the employee with the work agreed on, to ensure proper working conditions as required by Kyrgyz law, collective agreement, contracts, internal regulations containing labour law provisions, to timely and fully pay salary to the employee, and the employee undertakes to personally perform their job functions in the relevant area of practice or official capacity and to observe the internal labour regulations.

An employment contract must be executed in writing, in two counterparts signed by both parties. Once the employment contract is executed, the employee shall be hired within 3 days by the order (instruction or resolution) of the employer.

An improperly executed employment contract may nevertheless be deemed concluded, if an employee has actually set to work with the knowledge and on the instruction of the employer or its representative. However, permitting the employee to work does not relieve the employer of the obligation to conclude a written employment contract with such employee.

Employment contracts are concluded for an indefinite period or definite period (of not more than 5 years for fixed-term employment contracts) or such other period as may be set forth in Kyrgyz law.

The fixed-term employment contract is entered into if employment relationship cannot be established for an indefinite period given the nature and conditions of the work to be done, unless otherwise provided by Kyrgyz law. Labour law provides the grounds for concluding the definite-term employment contract.

¹³⁵ Labour Code of the Kyrgyz Republic, August 4, 2004, No. 106 (with the latest amendments as of August 7, 2023).

Unless the term of the employment contract is specified therein in writing, such contract shall be deemed concluded for an indefinite period. If neither party demands the termination of the fixed-term employment contract due to its expiration, and the employee continues to work after its expiration, the employment contract shall be deemed concluded for an indefinite period.

That said, employers are prohibited from concluding fixed-term employment contracts without good cause to avoid offering employee rights and benefits guaranteed under Kyrgyz law.

In 2022, new regulations on remote work were introduced to the labour law. Remote work means the practice of performing a job function defined in an employment contract from a location other than the employer's premises, subject to the use of information and telecommunications technologies for the purposes of performing such job function and maintaining interaction between the employer and the employee on related issues.

Remote employees are regulated by the labour law and other legal acts, subject to the rules specific to remote work.

The terms and conditions of remote work must be set out in the employment contract.

Probationary Period

When concluding an employment contract, the parties may agree to the inclusion of a probationary period clause to determine if an employee is suitable for a particular job. The probationary period may not exceed 3 months for general staff and 6 months for executive staff including senior managers and their deputies, senior accountants and their deputies, chiefs of branches, representative offices and other standalone subdivisions, unless otherwise provided by Kyrgyz law. The probationary period may not be extended even with the employee's consent. Labour law provides the grounds for waiving the probationary period.

If the employee's performance on probation is not satisfactory, the employer may terminate the employment contract by giving at least 3-day prior written notice to the employee stating the reasons for considering the employee to have failed to satisfactorily complete the probationary period.

If during the probationary period the employee determines that this job is not suitable for them, the employee may terminate the employment contract by giving 3-day prior written notice to the employer without stating the reasons for such termination.

If, before expiration of the probationary period, the employer makes no decision to terminate

employment, the employee shall be considered to have satisfactorily completed the probationary period and the employment contract shall be subsequently terminated on the general grounds.

The probationary period does not include temporary disability and other periods when an employee is actually absent from work.

Job Transfer

A transfer to a different permanent position with the same employer at the employer's initiative, i.e. a change in employment functions or material terms of the employment contract, as well as a transfer to a permanent position with another employer or to another location together with the employer is allowed only with the written consent of the employee. The transfer of an employee to a job contraindicated for that employee due to their health condition is prohibited.

Termination of Employment Contract

Kyrgyz law provides a conclusive list of the grounds for terminating an employment contract. The termination of the employment contract must be documented by a respective order (instruction, resolution) of the employer.

Working Time and Rest Period

Working time is the period of time during which an employee performs their employment duties in accordance with the internal working regulations or work schedule or terms of the employment contract.

Working time is measured in weeks (workweeks) and days (workdays, workshifts).

Working time may vary as follows:

- Normal;
- Reduced;
- Part-time.

Normal working time may not exceed 40 hours per week, with the exceptions specified in the Kyrgyz Labour Code. Fewer hours per week may be specified in employment contracts by agreement of the parties.

Reduced working time means working fewer hours than normal ones. Reduced working time applies

to the following categories of employees:

- for employees aged 14 to 16 - maximum 24 hours per week; for employees aged 16 to 18 - maximum 36 hours per week;
- for employees engaged in physically demanding labour or exposed to harmful or dangerous working conditions - maximum 36 hours per week;
- for employees with disabilities of groups I and II - maximum 36 hours per week paid at the same rate as full-time employees.

Part-time work is set by agreement of the parties and is paid in proportion to hours worked or output produced. The Kyrgyz Labour Code specifies a conclusive list of persons eligible to work fewer hours per week or day than full-time employees.

A 5-day workweek with a 2-day weekend or a 6-day workweek and a 1-day weekend is determined by the internal working regulations or watch schedules approved by the employer in consultation with the employee representative body. In case of a 6-day workweek the maximum working hours per day or watch may not exceed: 7 hours per 40-hour workweek, 6 hours per 36-hour workweek, and 4 hours per 24-hour workweek. On the eve of a public holiday and during the night shift, working time is 1 hour shorter.

Rest period is time when employees take a break from work and may do whatever they choose.

Rest periods are:

- breaks during the working day or shift;
- daily rest or rest between shifts;
- weekly rest (days off);
- non-working public holidays;
- leaves of absence.

During their working day or shift, employees have the right to one rest and meal break of minimum 30 minutes and maximum 1 hour not counted as time worked. The time and duration of breaks are stipulated in internal labour regulations or agreement between the employer and the employee. Some employees have the right to specific rest breaks during working time if so required by the technology, organization or conditions of work. The types of such work and duration of such breaks are stipulated in internal labour regulations.

Employees have the right to uninterrupted weekly rest (days off). Days off are rest days during the working week. Employees who work a 5-day week are entitled to 2 days off per week; those who work a 6-day week are entitled to 1 day off per week.

Non-working public holidays in the Kyrgyz Republic are:

- January 1 – New Year’s Day;
- January 7 – Christmas Day (Orthodox Christmas);
- February 23 – Defender of the Fatherland’s Day;
- March 8 – International Women’s Day;
- March 21 – Nooruz National Holiday;
- April 7 – People’s April Revolution Day;
- May 1 – Labour Day;
- May 5 – Kyrgyz Constitution Day;
- May 9 – Victory Day;
- August 31 – Independence Day; and
- November 7 and 8 – Ancestors’ History and Memory Days.

Islamic holidays of Orozo-Ait and Kurman-Ait (celebrated according to the lunar calendar) are non-working public holidays.

When a non-working public holiday falls on a day off, it is carried over to the next working day.

Employees are entitled to 1 annual paid leave of 28 calendar days. The annual paid leave longer than 28 days (extended annual leave) is granted to employees in accordance with the Labour Code and other laws of the Kyrgyz Republic.

The time on leave is counted as calendar days. If non-working public holidays occur during the leave period, these days will not be included in the leave period and will not be paid. The leave record card must be kept for each employee to reflect all data about leaves taken. The leave is documented by the order (instruction, resolution) or leave memo issued by the employer or its authorized person.

Employees may be granted leave without pay upon request for family or other valid reasons. The duration of such leave is determined by agreement between the employer and the employee. The employer must grant such leave in cases provided by the Labour Code such as birth of a child,

registration of marriage, death of close relatives, etc.). While on leave without pay, employees retain the right to their jobs (positions). The Labour Code prohibits employers from directing employees to take leave without pay.

Employee Compensation

Employees compensation refers to wages paid by employers to employees for work done in accordance with laws, other legal acts, collective bargaining agreements, arrangements, internal regulations and employment contracts.

Wage is monetary remuneration (compensation) paid by an employer to an employee in exchange for work done depending on its complexity, quantity, quality, conditions and employee's qualification plus compensatory and stimulating payments (for example, premiums).

Wage is paid in cash in the national currency of the Kyrgyz Republic (Kyrgyz soms). Employers may not pay employee compensation with promissory notes, debt instruments, ration cards, or other similar money substitutes.

Minimum Amount of Employee Compensation

A minimum wage (minimum employee compensation) refers to a guaranteed monthly wage paid to an unskilled employee who completed minimum hours of ordinary work in normal working conditions.

A minimum compensation of unskilled employees is established by law and applies throughout the territory of the Kyrgyz Republic and cannot fall below subsistence level of an individual able to work.

In the Kyrgyz Republic¹³⁶, as of 2024, a statutory minimum wage is KGS 2,534 (approximately USD 28 as of March 2024).

A monthly compensation of an employee who has completed minimum hours of work over the given period and performed their employment duties may not fall below the statutory minimum wage.

A minimum wage does not include surcharges and bonuses, premiums and other stimulating payments, as well as payments for working in abnormal or particular climatic conditions or areas exposed to radioactive pollution, nor does it include other compensatory and social welfare payments.

¹³⁶ Law of the Kyrgyz Republic "On the republican budget of the Kyrgyz Republic for 2024 and the forecast for 2025-2026" of January 12, 2024 No.9.

Due Date and Procedure for Payment of Wage

Due dates for payment of wage are established by a collective bargaining agreement or internal regulations of an employer. Wage is paid at least once every calendar month in the national currency (the som).

At the time of payment of wages, employers must notify employees in writing of all amounts comprising the wage and payable to them for the given period of time, the amounts withheld, the grounds for withholding, and the amount receivable.

Wages may be paid to employees at place where they perform work or may be transferred to bank account specified by them as set forth in the collective bargaining agreement or employment contract.

Wages are paid to employees directly, except as otherwise provided by law or employment contract, for example, via a proxy.

If a regular payday falls on a weekend or non-working public holiday, wage shall be paid on the day preceding the weekend or holiday. Vacation pay must be paid at least 3 days prior to such vacation.

In case of the employer's failure to pay wages, vacation pays or other amounts payable to employees when due, such amounts will bear interest of 0.15% of the amount outstanding as of the date of actual payment per each calendar day of delay.

In case of the employer's failure to pay all amounts payable to discharged employees when due will bear interest of 0.5% of the amount outstanding as of the date of actual payment per each calendar day of delay.

In 2015, to balance the interests of the employee and the employer, the Government of the Kyrgyz Republic made amendments to labour legislation whereby the maximum default interest (0.15% and 0.5%) was limited to 200% of the principal. This maximum default interest limitation applies only to the period from the date of default to the date of receipt of the claim for payment of wage, leave allowance or other overdue amounts payable to the employee. After the date of receipt of the claim, the maximum default interest limitation does not apply and the default interest accrues until the date of actual settlement.

Extra pay for dual employment/multiple jobs or replacement of temporarily absent employees is determined by agreement between the employer and the employee but may not be below 30% of the pay rate (gross wage) payable for extra job.

Employees working at night must receive extra pay for each hour but not less than 1.5 times the regular pay rate.

Employees working overtime must receive extra pay of at least 1.5 times the regular pay rate for the first two hours and double-time pay thereafter.

Employees working on day off or non-working public holiday must receive extra pay of at least double-time pay.

Employees having idle time through the fault of the employer must receive at least two-thirds of the regular pay rate. Employees having idle time through no fault of the employer or employee must receive at least two-thirds of the regular pay rate (gross wage). Employees having idle time through their own fault receive no pay.

Labour Dispute Resolution

A party of the employment contract (an employer or an employee) which inflicted damages on the other party must reimburse it for such damages as provided by Kyrgyz labour law. The employment contract or other agreements executed in writing and attached thereto may specify the pecuniary liability of the contracting parties. In which case, contractual liability of the employer to the employee may not be less and contractual liability of the employee to the employer may not be more than that specified in the Labour Code or other laws of the Kyrgyz Republic. Termination of the employment contract after infliction of damage shall not relieve the contracting party of liability.

Individual labour disputes, i.e. unresolved disagreements between the employer and the employee, are referred to labour dispute committees established within the organizations (having 10 or more employees), or labour inspection authority or courts of the Kyrgyz Republic. The employee may at its own discretion choose one of these authorities to resolve a labour dispute. If there is no labour dispute committee, such dispute will be referred to the labour inspection authority or court. It is also possible to resolve workplace conflicts through mediation in the manner prescribed by the mediation law.

The general period for referring disputes to the above authorities is 3 months from the date the employee becomes aware of violation of his rights. For disputes over dismissal, such period is 2 months from the date the employee receives the notice of dismissal or the employment record book. That said, it should be noted that for wage recovery claims, the limitation period is not prescribed.

Employer's Liability

An employer bears liability for harm caused to its employees by an occupational injury or disease or other health impairment arising out of employment and occurring both on and off site or on the way to or from work in a transport vehicle provided by the employer.

Employment of Foreign Nationals

Foreign nationals employed in the Kyrgyz Republic are subject to the requirements of the Labour Code, other laws and regulations of the Kyrgyz Republic containing the provisions of labour law, unless otherwise provided by the laws or treaties of the Kyrgyz Republic.

Employees of legal entities based in the Kyrgyz Republic and fully or partially founded or owned by foreign companies or nationals (including subsidiaries of transnational corporations) are subject to the requirements of laws and regulations of the Kyrgyz Republic containing the provisions of labour law, unless otherwise provided by the laws or treaties of the Kyrgyz Republic.

Rights of Foreign Employees

Foreign employees have the right to use their ability to work and to choose their trade, occupation or profession freely provided that they have a proper proof of education or experience and other supporting documentation.

Work Permit

Employers planning to hire and employ foreign nationals must apply for the foreign worker quota while foreign nationals (except nationals of the Russian Federation, Republic of Kazakhstan, Republic of Belarus, Republic of Armenia¹³⁷) planning to work or do business in the Kyrgyz Republic must apply for work permits. The competent authority issuing foreign worker quotas and work permits is the Migration Department of the Ministry of Labour, Social Welfare and Migration of the Kyrgyz Republic.

The migration authority charges a fee for work permits to cover the cost of issuing such permits. The fee for work permits is established by the Cabinet of Ministers of the Kyrgyz Republic.

Annually, 4 months before the next calendar year, the Cabinet of Ministers of the Kyrgyz Republic approves the foreign worker quota considering the public interest and the local labour market situation. The Migration Department of the Ministry of Labour, Social Welfare and Migration of the Kyrgyz Republic distributes foreign worker quotas among the employers who engage foreign nationals and stateless persons to work in the Kyrgyz Republic considering their input in the country's economy and priority right of Kyrgyz nationals to fill the vacancies.

¹³⁷ Under the Treaty on the Eurasian Economic Union dated May 29, 2014, employees working in its member states are not required to receive permits to work there.

11. REAL ESTATE

Real Estate Law

Under the Kyrgyz Civil Code,¹³⁸ real estate refers to land, minerals, water, forests, perennial plantings, buildings, structures and everything firmly attached to land, i.e. objects that cannot be moved without destroying or altering them. The state registration of real estate rights is performed by the Cadaster State Institution under the State Agency for Land Resources under the Ministry of Agriculture, Water Resources and Regional Development of the Kyrgyz Republic¹³⁹.

Real estate rights and encumbrances, as well as real estate transactions are subject to mandatory state registration. The registration procedure is set forth in the Kyrgyz Law “On State Registration of Immovable Property Rights and Transactions”¹⁴⁰ and the Rules on state registration of rights and encumbrances (restrictions) on real estate rights and transactions¹⁴¹. Under Kyrgyz law, state registration is mandatory for the following rights:

- Right of ownership;
- Right of business management;
- Right of operational control;
- Right of permanent (with no fixed term) use of land;
- Rights arising from mortgage, including statutory mortgage or pledge;
- Right of temporary use, lease or sublease for the term of 3 years or more;
- Easements;
- Restrictions of design, construction and use rights for immovable property units, except restrictions imposed on immovable property by the laws and other legal acts of the Kyrgyz Republic;
- Rights arising from court decisions;
- Right of use of natural resource listed in Kyrgyz laws;
- Rights arising from legalization of property;
- Other rights subject to registration at present or in the future under the Civil Code and other legal acts of the Kyrgyz Republic.

¹³⁸ Article 24 of the Civil Code of the Kyrgyz Republic (with the latest amendments as of August 5, 2022).

¹³⁹ Regulation on Cadaster State Institution of the Land Service under the Ministry of Agriculture of the Kyrgyz Republic approved by the Resolution of the Cabinet of Ministers of the Kyrgyz Republic dated August 6, 2021, No.116.

¹⁴⁰ The Law of the Kyrgyz Republic “On State Registration of Immovable Property Rights and Transactions” dated December 22, 1998, No. 153 (with the latest amendments as of February 25, 2021).

¹⁴¹ Approved by the Resolution of the Government of the Kyrgyz Republic of February 15, 2011 No. 49 (with the latest amendments as of December 6, 2021).

The following rights and restrictions are valid regardless of their registration or non-registration, but are not secured state protection:

- Right of access to electric power lines, telephone and telegraph lines and poles, pipelines, geodesic points existing at the date of opening the registration authority and other rights determined by public needs;
- Rights of spouses, children, and other dependents, established by Kyrgyz laws, even if these rights were not registered independently;
- Right of temporary use, lease or sublease for the term of less than 3 years;
- Right of preferential use of real property by its actual users set forth in Kyrgyz law;
- Rights of tax authorities set forth in Kyrgyz law;
- General restrictions and prohibitions (related to health care, public security and environmental protection) set forth in Kyrgyz law.

Land Relations

The principal regulatory act governing land relations in the Kyrgyz Republic is the Land Code of the Kyrgyz Republic¹⁴² according to which, the land fund in the Kyrgyz Republic comprises the following:

- Agricultural land including farmland and land occupied by on-farm roads, communication lines, water reservoirs, buildings and structures necessary for farming;
- Residential land;
- Industrial, transport, telecommunications, energy, defence and other infrastructure land;
- Specially protected areas;
- Forest infrastructure land;
- Water infrastructure land;
- Reserve land.

The conversion (transformation) of land from one category into another is regulated by the Land Code of the Kyrgyz Republic, the Law of the Kyrgyz Republic “On Conversion (Transformation) of Land Plots”, and the Provisional Regulation on procedure for conversion (transformation) of land plots.¹⁴³

¹⁴² The Land Code of the Kyrgyz Republic of June 2, 1999, No. 45 (with the latest amendments as of August 5, 2022).

¹⁴³ The Law of the Kyrgyz Republic “On conversion (transformation) of land plots” dated July 15, 2013, No. 145 (with the latest amendments as of April 1, 2022) and the Interim Regulation on procedure of conversion (transformation) of land plots dated March 19, 2014 (with the latest amendments as of April 22, 2021).

Receiving the Right to Land

There are two ways to receive the right to land under Kyrgyz law:

- Transfer of the right to land (i.e. disposition or transfer for temporary use of the right to land by an owner or user of this land to another person through a civil transaction);
- Grant of the ownership or use right over a public or municipal land by a competent authority.

On September 23, 2011, the Government of the Kyrgyz Republic adopted Resolution No. 571 approving the Model Regulation on the terms and conditions of non-gratuitous transfer of the right of ownership or lease of municipal lands.

The right to land may be transferred through public auction, tender or direct sales by the land commission established for this purpose.

The right of use of land may be transferred through direct sales in the following cases:

- a. If the land plot previously provided to persons for fixed-term (temporary) use is occupied by building and structures, including incomplete construction, owned by these persons;
- b. If the land plot was put up for auction twice but was not leased out;
- c. If the land plot adjoins (borders) part of a building or structure owned by these persons and is needed for construction of an entrance to, improvement or extension of the said objects, provided that the said land plot cannot be formed as a standalone unit of real estate and the transfer of rights over such land plot to third persons may entail violation of rights of owners of these building or structure;
- d. If the land plot adjoins (borders) part of a building or structure or is close to it, and is needed for setting up and maintaining parking lots, when the transfer of rights over such land plot to third persons may entail violation of rights of owners of these buildings or structures.

Based on the auction or direct sales protocol, the parties execute the land purchase and sale agreement or the land lease agreement.

The agreement must be registered with the local registration authority and does not require notarization.

Residential Property

Individuals and legal entities have the right to own residential property without limitation¹⁴⁴.

Receiving the Right to Residential Property

The rights and obligations in respect of residential property arise from:

1. acts of government and local self-government authorities;
2. contracts and other transactions provided by law;
3. judicial acts;
4. resolutions of authorized bodies of legal entities regarding their reorganization;
5. membership in building cooperatives;
6. other grounds provided by law.

The right to residential property arises from the moment of its state registration in the manner provided by law.

Restrictions on Foreign Ownership of Real Estate

Kyrgyz law does not restrict foreign persons from acquiring non-residential buildings and structures.

Foreign persons are prohibited from acquiring the right of ownership over recreation and tourism infrastructure facilities located in the ecological and economic system of Lake Issyk-Kul¹⁴⁵. Foreign persons may acquire the right of fixed-term use over recreation and tourism infrastructure facilities in the manner determined by the Cabinet of Ministers of the Kyrgyz Republic.

Kyrgyz law imposes a number of restrictions on foreign ownership of land in the Kyrgyz Republic. A foreign person is defined as:

- a foreign national or stateless person; or
- a foreign legal entity satisfying one of the following criteria:
 - it is established and registered under the laws of a foreign state;
 - it is fully owned by one or more foreign individuals or legal entities;

¹⁴⁴ The Housing Code of the Kyrgyz Republic dated as of 9th July 2013, No. 117 (with the latest amendments as of August 6, 2022).

¹⁴⁵ Article 20, Law on Sustainable Development of Issyk-Kul Eco-economic System, August 13, 2004, No. 115 (with the latest amendments as of August 21, 2020).

- it is controlled or managed by one or more foreign individuals or legal entities under a written contract, the right to sell a majority of the voting shares, the right to appoint a majority of members of its executive or supervisory body;
- It is registered within the Kyrgyz Republic and has at least 20% of its charter capital owned by foreign nationals, stateless persons, or legal entities mentioned in this paragraph;
- It is established by an international agreement or treaty.

Restrictions on land rights of foreign persons are as follows:

- Foreign ownership or use of agricultural land is prohibited¹⁴⁶;
- Foreign ownership or use of residential land is allowed in case of enforcement of mortgage with the obligation to subsequently dispose of the land plot within 2 years from the moment of acquiring the ownership right in the manner provided by the pledge law of the Kyrgyz Republic;
- Non-residential land plots (except land plots provided for agricultural or mining purposes) may be provided to foreign persons for fixed-term (temporary) use by the Cabinet of Ministers of the Kyrgyz Republic. In all other cases, non-residential land plots may be provided, transferred or passed to foreign persons through universal succession for fixed-term (temporary) use;
- Land plots in border area may not be provided to foreign persons except kairylman (repatriates)¹⁴⁷ for fixed-term (temporary) use or into ownership;
- Agricultural land plots acquired by foreign banks or specialized financial institutions as a result of enforcement of mortgage must be disposed of within 2 years from the moment of acquiring ownership right in the manner provided in the pledge law.
- Agricultural land plots passed to foreign persons through universal succession (inheritance, reorganization) must be alienated to a Kyrgyz national or legal entity within 1 year from the date of acquiring ownership right.

In general, under Kyrgyz law, any immovable property which has been lawfully acquired by a person but may not belong to it by operation of law must be disposed of by such person within 3 years.

Residential land may be provided to foreign persons for fixed-term (temporary) use or into ownership

¹⁴⁶ Article 7 of the Law of the Kyrgyz Republic "On Management of Agricultural Land" dated January 11, 2001, No. 4 (with the latest amendments as of August 14, 2020).

¹⁴⁷ Kairylman is an ethnic Kyrgyz who is a foreign national or stateless person who voluntarily moves to the Kyrgyz Republic and receives the status of a kairylman (Law of the Kyrgyz Republic "On State Guarantees to Ethnic Kyrgyz Resettlers in the Kyrgyz Republic" of November 26, 2007, No.175 (as amended on January 27, 2015)).

in case of enforcement of mortgage with the obligation to subsequently dispose of such land within 2 years from the moment of acquiring ownership in the manner prescribed by the pledge law of the Kyrgyz Republic.

If agricultural land is inherited by a foreign person, it must be disposed of to a national of the Kyrgyz Republic within 1 year from the moment of acquiring the right to the land plot.

If the immovable property is not disposed of within a specified period, depending on its type and purpose, it will be either subject to forced sale by court order at the request of the government or local self-government authority with the payment of proceeds from sale to the former owner, or passed to state or communal ownership with the payment of its value determined by the court to the former owner, less the cost of sale.

12. INTELLECTUAL PROPERTY

Legal Framework for Protection of Intellectual Property Rights

The legal framework for protection of intellectual property rights (IPR) in the Kyrgyz Republic includes national legislation and international agreements or treaties to which the Kyrgyz Republic is a party.

The primary legislation regulating IPR comprises the Civil Code of the Kyrgyz Republic¹⁴⁸, the Patent Law¹⁴⁹, the Law of the Kyrgyz Republic “On Trademarks, Service Marks, Geographical Indications and Appellations of Origin”¹⁵⁰, the Law of the Kyrgyz Republic “On Copyright and Neighbouring Rights”¹⁵¹, other laws and regulations.

The Kyrgyz Republic is a party to international agreements, treaties and conventions on IPR. The principal treaties are: the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Treaty, the Madrid Agreement Concerning the International Registration of Marks and the Protocol relating to that Agreement, the Hague Agreement Concerning the International Deposit of Industrial Designs and the Geneva Act of the Hague Agreement. In addition, since December 1998 the Kyrgyz Republic has been a member of the World Trade Organization (WTO). The requirements of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights served as the basis for the national intellectual property legislation.

Intellectual Property Objects

Intellectual property objects (inventions, utility models, industrial designs, trademarks, service marks, geographical indications, appellations of origin, trade names, copyright and neighbouring rights, layout designs of integrated circuits, breeders’ rights, undisclosed information (trade secrets), including production secrets (know-how) are granted legal protection by virtue of their creation or an order of the competent authority.

148 Civil Code of the Kyrgyz Republic dated 8 May 1996 No. 15, Part 1 (with the latest amendments as of April 11, 2023) and Civil Code of the Kyrgyz Republic of January 5, 1998 No. 1. Part II (with the latest amendments as of October 5, 2023).

149 Kyrgyz Patent Law dated March 23, 2023, No. 69;

150 The Law of the Kyrgyz Republic “On Trademarks, Service Marks, Geographical Indications and Appellations of Origin” dated March 24, 2023 No. 70).

151 The Law of the Kyrgyz Republic “On Copyright and Neighboring Rights” dated January 14, 1998 No.6 (with the latest amendments as of March 17, 2023).

An invention, utility model, or industrial design is protected by a patent certifying the priority, authorship, and exclusive right of the patent holder to the given object of intellectual property. The registration of a trademark, service mark, geographical indication or appellation of origin, confirmed by a certificate, grants the exclusive right to use and dispose of the registered mark and to use the registered geographical indication and appellation of origin.

The registration of these objects in the Kyrgyz Republic is performed by the competent authority, namely, the State Agency for Intellectual Property and Innovation under the Cabinet of Ministers of the Kyrgyz Republic (Kyrgyzpatent)¹⁵².

The exclusive right to a trade name arises from the date of state registration of a legal entity with the Ministry of Justice of the Kyrgyz Republic. Copyright and neighbouring rights do not require registration of their object or completion of other formalities.

Inventions, Utility Models, and Industrial Designs

An invention can be patentable if it satisfies three criteria: novelty, inventive step and industrial applicability. A patent for an invention is valid for 20 years from the date of filing an application with Kyrgyzpatent and cannot be renewed once this term expires.

A utility model can be patentable if it meets the novelty and industrial applicability criteria. A patent for a utility model is valid for 5 years from the date of filing an application with Kyrgyzpatent and cannot be renewed once this term expires.

An industrial design can be patentable if it satisfies the novelty and originality requirements. A patent for an industrial design is valid for 10 years from the date of filing an application with Kyrgyzpatent and can be renewed once this term expires, upon request of the patent holder, for another 5 years. That said, the total term of the industrial design may not exceed 25 years from the date of filing the application.

Trademarks, Service Marks, Geographical Indications and Appellations of Origin

A trademark or service mark is a designation which identifies goods or services of particular individuals or legal entities from those of others. A trademark may be designated by verbal, visual, volumetric or other signs or their combination. A person applying to Kyrgyzpatent for a trademark does not necessarily have to be previously using such trademark for the goods and services specified in the application. Kyrgyz law does not require the applicants to confirm the prior use or intent to use

¹⁵² Official website of Kyrgyzpatent: <http://www.kyrgyzpatent.kg>.

the trademark when filing an application for registration.

The goods and services are classified according to the 12th edition of the International Classification of Goods and Services established by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

A registered trademark is confirmed by a certificate. The period of validity of a registered trademark is 10 years from the date of filing with possibility of renewal for another 10 years at the trademark holder's request filed within the last year of its validity.

A protected geographical indication means an indication which identifies a good as originating in the territory of a country, or a region or locality in that territory, where a given quality, reputation or other characteristic of the good is essentially attributable to its geographical origin. At least one of the stages of production which gives a good its distinctive character must take place in the designated geographical area.

A protected appellation of origin means a designation that is a modern or historical, official or unofficial, full or abbreviated name of a country, urban or rural settlement, locality or any other geographical location, which incorporates such a name or a derivative thereof and has become known as a result of its use in relation to the goods, special properties of which are exclusively determined by the natural conditions and (or) human factors peculiar to this geographical location. The stage of production which gives a product its distinctive character must take place in such geographical location.

The registered geographical indication and appellation of origin are confirmed by a certificate issued for a period of 10 years from the date of filing an application with Kyrgyzpatent and renewable for another 10 years.

Trade Names

A trade name is the full name of the legal entity under which it operates and which distinguishes it from another legal entity. The exclusive right to a trade name arises from the date of state registration of the legal entity with the Ministry of Justice of the Kyrgyz Republic and ceases to exist after its dissolution or name change.

The legal entity has the exclusive right to use its trade name as a means of identification in any way not inconsistent with the law, including by indicating it on signboards, letterheads, invoices and other documentation, in announcements and advertising, on goods or their packaging, on the Internet.

Copyright and neighbouring rights

Kyrgyz law protects works of science, literature, and art (copyright), as well as phonograms, performances, stage plays, broadcast programs by broadcasting and cablecasting organizations (neighbouring rights). Protection is granted without registration of respective works or completion of any other formalities. As a general rule, copyright is valid for the life of the author and 50 years after their death. Neighboring rights are valid for 50 years after the first performance or staging or publication of a phonogram (or 50 years after its first recording, if the phonogram was not published within this period), or broadcast or cablecast.

Copyright covers software and databases, both released and not released, represented in objective form, regardless of their tangible medium, purpose, and value. Legal protection applies to any type of software in any language and in any form, including source code and object code.

Author's personal non-property rights and rightholder's exclusive rights in respect of an object of copyright or neighboring right may be registered in Kyrgyzpatent's official registers at any time during the period of copyright or neighboring rights protection with the issuance of certificate in the prescribed form.

Layout designs of integrated circuits

A layout design of an integrated circuit refers essentially to the three-dimensional arrangement, fixed in a tangible medium, of the elements and interconnections of an integrated circuit. Legal protection is granted to a layout design of an integrated circuit that is original, i.e. it is the result of the creative activity of its creator.

The author or other right holder has an exclusive right to use such layout design at their own discretion; in particular, to manufacture and distribute integrated circuits with such layout design, including the right to prohibit the unauthorized use of such layout design by other persons.

The exclusive right to use the layout design is valid for 10 years starting from the earliest of the following dates:

- date of the first use of the layout design implying the earliest recorded date when this layout design or integrated circuit with such layout design has been introduced somewhere in the world;
- date of registration of the layout design with Kyrgyzpatent (on a voluntary basis).

Breeder's rights

The plant or animal breeder's rights are protected by a patent issued by Kyrgyzpatent. The patent is issued if a new plant variety or animal breed meets the eligibility criteria (novelty, distinctness, uniformity, stability) and relates to botanical and zoological genus and species. The term of the patent is 25 years from the date of registration of the new plant variety or animal breed with the State Register of Protected Breeders' Rights.

The patent holder has the exclusive right to use the new plant variety or animal breed. The exclusive right of the patent holder means the right to undertake the following actions in respect of propagating material of the protected plant variety or animal breed:

- production and reproduction;
- preparation for sowing;
- offer for sale;
- sale and other types of marketing;
- export from the Kyrgyz Republic;
- import into the Kyrgyz Republic;
- storage for the above purposes.

Undisclosed information

A person lawfully possessing technical, organizational or commercial information, including production secrets (know-how) unknown to third parties (undisclosed information), has the right to protect this information from illegal use, if the following conditions are met:

- information has actual or potential commercial value due to its being unknown to third parties;
- information is not legally accessible;
- information owner takes measures to protect confidentiality.

Protection of undisclosed information from illegal use is granted irrespective of any formalities (registration, certification, etc.).

The rules on protection of undisclosed information do not apply to information that cannot, under law, refer to official or commercial secret (information about legal entities, property rights and transactions subject to state registration, information to be submitted as part of state statistical reporting etc.).

Intellectual Property Representation Services

Foreign persons or their patent attorneys must handle cases related to IPR protection through patent attorneys registered with Kyrgyzpatent¹⁵³. As of today, there are 40 certified patent attorneys operating in Kyrgyzstan¹⁵⁴.

Residents of the countries which signed a bilateral agreement with the Kyrgyz Republic establishing reciprocally simplified procedures for IPR protection can handle the cases related to obtaining a patent, registering a trademark and other activities independently or through their national patent attorneys not registered in the Kyrgyz Republic.

The Kyrgyz Republic has signed a number of such bilateral agreements with the following countries:

- the Russian Federation (the Agreement between the Government of the Kyrgyz Republic and the Government of the Russian Federation on Cooperation in the Field of Industrial Property, effective from October 13, 1995);
- the Republic of Uzbekistan (the Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Uzbekistan on Cooperation in the Field of Industrial Property, effective from December 24, 1996); the Azerbaijan Republic (the Agreement between the Government of the Kyrgyz Republic and the Government of the Azerbaijan Republic on Cooperation in the Field of Industrial Property, effective from August 27, 1997);
- the Republic of Armenia (the Agreement between the Government of the Kyrgyz Republic and the Government of the Republic of Armenia on Cooperation in the Field of Industrial Property, effective from June 18, 1998).

Protection of Intellectual Property Rights

Kyrgyz customs authorities provide protection of copyright and neighboring rights, trademarks, service marks and appellations of origin. In particular, it keeps records of the aforesaid IPR in the register of protected IPR at the request of the right- holders or their representatives for a term of up to two years against payment of a specific fee. When the customs authorities discover goods suspected of infringing any registered IPR, they shall suspend the release of these goods for 10 days with possibility of extension for another 10 days. During this period, the right-holder or its representative must submit to the customs authorities the documents confirming the filing of a legal

¹⁵³ Article 3 of the Patent Attorneys Law of the Kyrgyz Republic, February 19, 2001, No. 24 (with the latest amendments as of March 23, 2020).

¹⁵⁴ According to the official website of Kyrgyzpatent: <http://patent.kg/index.php/ru/attorneys.html>

action to reinstate legal rights and interests in respect of suspended goods.

The right-holder of the protected IPR may file an unfair competition complaint to the state antitrust authority. A decision (order) of this authority shall be enforceable in the entire territory of the Kyrgyz Republic in full and within specified time. The decision (order) of the state antitrust authority may be appealed in administrative or judicial proceedings.¹⁵⁵

Kyrgyz law establishes civil, administrative, and criminal liability for IPR infringement.

The Code of Offenses¹⁵⁶ imposes an administrative fine as a punishment for IPR infringement.

Criminal liability for IPR infringement is imposed by the Criminal Code of the Kyrgyz Republic¹⁵⁷. For example, copyright infringement is punishable by penal sanctions including imprisonment.

According to the general rule, protection of IPR is provided through judicial proceedings. These disputes fall within the competence of courts of general jurisdiction.

155 Article 20 of the KR Law on Competition dated July 22, 2011 No.116 (with the latest amendments as of February 28, 2023).

156 Code of Offenses of the Kyrgyz Republic, October 28, 2021, No. 128 (with the latest amendments as of January 24, 2024).

157 The Criminal Code of the Kyrgyz Republic, October 28, 2021, No. 127 (with the latest amendments as of January 25, 2024).

13. ANTITRUST REGULATION

Legislation

Anti-trust law of the Kyrgyz Republic consists of the Law of the Kyrgyz Republic, “On Competition”¹⁵⁸, the Law of the Kyrgyz Republic “On Natural Monopolies in Kyrgyz Republic”¹⁵⁹, the Law of the Kyrgyz Republic “On Advertising”¹⁶⁰, and others laws and regulations.

Natural monopolies are regulated and controlled by the anti-trust authority and sectoral regulatory authorities within the scope of their competence. The State Anti-Trust Service under the Ministry of Economy and Commerce of the Kyrgyz Republic is the competent authority responsible for the pursuit of national antitrust and fair competition policy and anti-trust regulation in all sectors of the economy, except the fuel and energy industry.

Unfair Competition

Unfair competition means any anti-competitive business practices which are aimed at gaining advantages contrary to the Competition Law, customary business practices, and standards of honesty, reasonableness and fairness and cause or may cause economic harm to other competing businesses or damage to their business reputation.

The State Anti-Trust Service under the Ministry of Economy and Commerce of the Kyrgyz Republic enforces antitrust and fair competition policy by controlling the operations of market participants. Some of its main functions include the following:

- Analysing the state of competition in the respective markets for goods and services (works)
- Protecting the rights of business entities and individuals against monopolistic and unfair competition practices and anticompetitive documents or acts (omissions) of state government or local self-government authorities;
- Preparing opinions on drafts of fair competition acts and regulations;
- Reviewing complaints and grievances of individuals and legal entities, irrespective of their ownership, regarding violation of antitrust, consumer protection and advertising laws; and
- Other.

158 The Competition Law of the Kyrgyz Republic, No. 116, July 22, 2011 (as amended February 28, 2023).

159 The Natural Monopolies Law of the Kyrgyz Republic, No. 149, August 8, 2011 (as amended July 25, 2023).

160 The Advertising Law of the Kyrgyz Republic, No. 155, December 24, 1998 (as amended June 3, 2023).

Prohibited Anti-competitive Practices:

- Unauthorized copying of the business entity's goods and form of packaging and exterior design, except for the goods whose appearance is conditioned by their technical function;
- Direct reproduction of the other business entity's products by infringing its patent rights;
- Illegal use of another person's trademark, service mark, appellation of origin, trade name, which is likely to cause confusion with other business entity;
- Distribution of false or distorted information on business profile and financial condition of the other business entity, which is likely to cause damages or harm to its business reputation;
- Manufacture, sale, or other entry of the other business entity's products in the market by infringing its intellectual property rights and similar rights of participants of civil turnover of goods, works and services (unlawful use);
- Disclosure in the distorted way of the data on scientific and technical and production abilities of the competitor;
- Intentional violation, disruption, and termination by illegal means of the competitor's business relations;
- Bringing pressure by illegal means on the competitor's employees with an aim of inducing them to neglect of duties;
- Illegal receipt, use and disclosure of data on scientific-technical, production, or commercial activities of a business entity, including its trade secret;
- Bringing pressure by illegal means on the making and carrying out of business decisions by the competitor for the purposes of getting unfounded predominance over it;
- Unfounded appeals (addresses) to other market participants encouraging to terminate business relations of the competitor or prevent them from being established;
- Dissemination of any data capable of misleading consumers about the origin, method of manufacture, usability, or quality and other features of merchandise of the business entity, identity of the entrepreneur or characteristics of their business activity;
- Marking a merchandise by an improper distinguishing sign for the purposes of misleading consumers regarding the consumption and other important qualities of the merchandise;
- Concealing the fact that the merchandise is inconsistent with its purpose or requirements set for it;
- Intentional sale of particular products on relevant markets at prices lower than those offered in

the competitive environment or below cost in order to limit competition;

- Incorrect comparison between the products made or offered by one business entity and those made or offered by another business entity;
- Unfair competition involving acquisition and use of an exclusive right to the means of individualisation of a company, goods, works or services.

Prohibited Anti-competitive and Abusive Monopolistic Practices:

- Impeding access to the market for other business entities;
- Withdrawal of merchandise from circulation with the purpose of, or resulting in, the creation and(or) supporting its deficit at the market or with the purpose of raising prices;
- Imposing contractual terms on a counterparty which are disadvantageous for it or are irrelevant to the subject of the agreement (unfounded demands to transfer funds, other property, property rights, workforce of the counterparty, etc.)
- Inclusion in the contract of discriminatory or privileged terms which put the counterparty in unequal position compared to the position of other business entities;
- Forcing the counterparty (consumer) to enter into an agreement only with certain manufacturer or purchaser;
- Consenting to enter into an agreement only on condition of introducing into it the provisions on merchandise in which the counterparty (or consumer) is not interested;
- Establishing and maintaining high or low monopolistic prices of goods;
- Economically or technologically unfounded reduction or termination of manufacture of merchandise, if there is demand for it or supply orders for it are placed, if it can be profitably manufactured, and if such agreement or termination of manufacture of merchandise is not directly provided by Kyrgyz law or judicial acts;
- Unfounded refusal to perform the agreement not attributable to force majeure events;
- Economically or technically unfounded refusal or evasion from entering into the agreement with certain buyers (customers) if there is a possibility of manufacture or supply of the respective merchandise and if such refusal or evasion is not directly provided by Kyrgyz law or judicial acts;
- Creation of discriminatory or exceptional conditions;
- Economically, technologically or otherwise unfounded establishment of different prices (tariffs) for the same product, unless otherwise provided by Kyrgyz antitrust law;
- Setting of unreasonably high or low prices for financial services.

Prohibited Concerted Practices

The list of prohibited concerted practices includes the following:

- Establishing (maintaining) prices (tariffs), discounts, allowances (surcharges), margins;
- Increasing, decreasing or maintaining prices on the same level in the market or at auction;
- Division of the market by territory, scope of sales or procurements, assortment of goods being sold, types of provided services or range of sellers or buyers (customers);
- Limiting market entry or exit for other business entities as sellers of certain merchandise or their buyers (customers);
- Coordinating scopes of production for the purposes of artificial change of the scope of offers;
- Unfounded refusal from contracting with certain sellers or buyers (customers);
- Establishing price discrimination;
- Unfounded decrease or termination of supply of goods for invalid reasons;
- Establishing standard terms and conditions of contracts which put consumers into a disadvantageous position or limit the freedom of choice of goods and business entities manufacturing these goods or have provisions irrelevant to the subject of the contract.

It is prohibited to enter into vertical agreements (agreements between business entities, one of which purchases or may potentially purchase goods, and the other sells or may potentially sell goods) which have or may have a restrictive effect on competition, including the agreements:

- imposing contractual terms which are disadvantageous for the counterparty;
- imposing exceptions which require purchasing certain goods only from the given seller, but not its competitor;
- limiting territory or range of buyers;
- imposing price limitations on resale of goods acquired by the buyer;
- prohibiting sale of goods manufactured by the competitors.

It is prohibited to enter into business agreements (except vertical agreements other than those listed above) which have or may have a restrictive effect on competition, including the agreements:

- setting or supporting discriminatory terms compared to equivalent agreements with other business entities, including negotiated terms of purchase and (or) sale of goods;
- imposing prices (tariffs) for similar product that are not economically, technologically or otherwise

justifiable;

- creating entry and exit barriers for other business entities in a commodity market;
- imposing conditions of membership in professional and other associations;
- unreasonably restricting or terminating the sale of goods.

It is also prohibited to engage in coordination of economic activities of business entities (i.e., coordination of actions of business entities by a third party that is not part of the group of these business entities and does not operate in the same commodity market), if it has or may have the above effects.

The above anti-competitive agreements can be deemed admissible by the anti-trust authority in the following exceptional cases:

- Agreements or concerted practices of business entities may be deemed admissible if they do not create opportunity for anticompetitive conduct of certain persons in the respective commodity market or impose limitations on their shareholders or third parties and may result in (a) the better manufacture or sale of goods, promotion of technical or economic progress, or increased competitiveness of goods in the world market, (b) the creation of advantages (benefits) for the buyers commensurate with those acquired by business entities as a result of actions (omissions), agreements or concerted practices or transactions.

Control of economic concentration and obtaining consent to economic concentration from the antitrust authority

To prevent undertakings leading to dominant position and (or) restriction of competition, the antitrust authority may exercise state control in the following cases:

- reorganization by merger, acquisition, conversion of business entities (their associations);
- creation of business entities, in which more than 5% of the shares (interest) are held by the State;
- creation of business entities by the affiliated persons and/or group of persons under Articles 3 and 5 of the Competition Law;
- creation, liquidation and reorganization by merger, or acquisition of state and municipal enterprises.

Business entities that make decisions on the creation, liquidation or reorganization by merger, acquisition, transformation, in the cases specified above, must obtain consent from the antitrust authority.

In cases of creation, liquidation or reorganization by merger, acquisition or transformation of business entities specified above, their state registration (re-registration) must be made by the registering authority only with the prior consent of the antitrust authority. Registration (re-registration) of business entities specified above by the registering authority without prior approval by the antitrust authority, shall be considered invalid or suspended.

Liability

Persons guilty of violating anti-trust law are held liable in accordance with Kyrgyz law. The imposition of liability does not release the culprits from the obligation to comply with the decision of the anti-trust authority.

Powers of the Anti-Trust Authority

The anti-trust authority and its local offices, within the scope of their competence, control compliance with the Kyrgyz antitrust, consumer protection and advertising legislation by undertaking measures to ensure:

- fair competition and effective functioning of markets for goods, works and services , assessment of the state of competitive environment, development of proposals on removal of barriers to competition, review of petitions of business entities, state-owned and municipal enterprises on reorganization, liquidation, acquisition of shares (interests) in the charter capital if this leads to the creation of a business entity (business associations) occupying a dominant position, making decision on forcible split up (spin off) of business entities occupying dominant position in the market and systematically engaged in monopolistic activity, reviewing requests of natural monopolies for approval of actions envisaged by Kyrgyz law, etc.);
- effective state control over compliance with the Kyrgyz antitrust and pricing policies (balancing the interests of consumers and natural monopoly entities, formation and maintenance of the public registry of natural monopoly entities, control over natural monopoly entities, etc.);
- protection of consumers from monopolistic and unfair competition practices (approval of prices (tariffs) of services (works), except educational services, provided by state government and local self-government authorities, organizations and institutions, approval of cost of permitting documents issued by the executive authorities, etc.);
- regulation of advertisers, advertising agents, and advertising distributors (protection against unfair competition in advertising, prevention and suppression of improper advertisement, sending materials related to violations of the advertising legislation to the licensing authorities

to have the license of the violating entity suspended or revoked, submission of documents to the prosecution authorities and other law enforcement agencies to resolve the issue of initiating criminal proceedings on charges of committing advertising offences, etc.);

- general inspections of compliance with antitrust, consumer protection and advertising legislation of the Kyrgyz Republic, as well as review of correct formation and application of prices (tariffs) by business entities, public authorities, local self-government authorities, organizations and institutions; and also review of complaints and grievances of individuals and legal entities, regardless of form of ownership, on non-compliance with antitrust, consumer protection, and advertising legislation of the Kyrgyz Republic.

Types of regulation of natural monopolies:

- Price regulation through price (tariff) setting and price ceiling;
- Determination of consumers (subscribers) entitled to mandatory or minimum services, if their needs in goods or services produced or provided by a natural monopoly entity cannot be fully satisfied, subject to requirements for protection of rights and legitimate interests of people, national security, natural resources and cultural values;
- Determination of trade mark-up size;
- Determination of obligations of engineering and technical services being natural monopoly entities, development of respective engineering and technical networks, if the need in their goods (services) cannot be fully satisfied.

14. ENVIRONMENTAL PROTECTION

Environmental safety is an integral part of the country's national security and a prerequisite for sustainable development, preservation and sustenance of natural resources and the environment.

Legislation

Kyrgyz legal and regulatory framework for environmental protection and effective natural resources management consists of the Environmental Protection Law of June 16, 1999, the Atmospheric Air Protection Law of June 12, 1999, the Environmental Review Law of June 16, 1999, the Specially Protected Natural Areas Law of May 3, 2011, the Biosphere Reserves Law of June 9, 1999, the Technical Regulation on Radiation Safety of November 29, 2011, and other environmental laws and regulations. Special safety requirements for protection of atmospheric air, water resources, wildlife species, soil and natural landscapes, and for disposal of industrial and domestic waste are established by the Environmental Safety General Technical Regulation Law of the Kyrgyz Republic of May 8, 2009 No.151, the Industrial and Domestic Waste Law No. 89 of November 13, 2001, etc.

The Kyrgyz Republic is getting more actively involved in the world community activity aimed at restraining global environmental threats, including the process of consolidation of international efforts. Since 2007, the Kyrgyz Republic has acceded to 11 international environmental conventions and 3 protocols thereto.¹⁶¹

Currently, the competent public authority in charge of environmental protection, ecological and technical safety and nature management policy is the Ministry of Natural Resources, Environment and Technical Supervision.¹⁶²

Environmental impact assessment and environmental review

The planning, placement, construction, reconstruction, technical re-equipment, and commissioning of facilities and projects that may have direct or indirect impact on the environment must be subject to environmental impact assessment (EIA) and other measures aimed at ensuring environmental protection, rational use, reproduction of natural resources, improvement of the environment in compliance with environmental standards. The environmental impact assessment procedure must be undertaken by the project initiator in accordance with the currently effective legal acts. The EIA must

¹⁶¹ The Concept Paper on Ecological Safety of the Kyrgyz Republic approved by Kyrgyz Republic Presidential Edict No. 506: dated November 23, 2007.

¹⁶² The Regulation on the Ministry of Natural Resources, Environment and Technical Supervision approved by the Cabinet of Ministers Resolution No. 263 dated November 15, 2021.

be arranged and carried out at the time of conducting feasibility studies on the following projects:

- developing concepts, programs and plans for sectoral and local socio-economic development;
- developing schemes of integrated use and protection of natural resources;
- developing master plans of cities, settlements and other urban planning documentation;
- undertaking new construction, reconstruction, expansion and technical re-equipment of existing economic and other facilities that have or may have impact on the environment.

The environmental impact assessment report is required for all types and stages of development of project documentation and serves as the basis for making a decision by a designated public authority for environmental review.

Kyrgyz law requires business entities to carry out an environmental review of the projects related to the use of natural resources.¹⁶³ The identification of site as well as planning, construction, and commissioning of commercial facilities must be made in accordance with the current legislation and on the basis of a positive screening opinion of the state environmental review. The commissioning of facilities is prohibited if they are not fitted with purification, neutralization, hazardous waste disposal, emission and discharge and other environmental pollution control systems and equipment to reduce pollution to maximum permissible limits. This requirement has been introduced to prevent negative consequences for public health and the environment that may be caused by business and other activities. In addition, the adequacy of planned activities has to be assessed at stages preceding decisions on compliance with the environmental protection legislation of the Kyrgyz Republic.

There are two types of environmental review conducted in the Kyrgyz Republic: state environmental review and public environmental review. It is prohibited to finance or deliver any natural resources projects without positive screening opinion of state environmental review. The competent authority for environmental review is the Ministry of Natural Resources, Environment and Technical Supervision of the Kyrgyz Republic, the review period is up to 3 months.

Environmental Standardization and Certification

Products/processes/services produced or imported in the Kyrgyz Republic that may potentially pose a threat to environmental safety, people's health or lives, or reproduction and rational use of natural resources, are subject to environmental standardization and certification. A list of such products is approved by the Cabinet of Ministers of the Kyrgyz Republic.

¹⁶³ The Environmental Review Law of the Kyrgyz Republic, No. 54, dated June 16, 1999 (with the latest amendments as of May 4, 2015).

Environmental Audit

Environmental audit can be undertaken by independent experts in order to prevent and address environmental law violations and to identify potential risk of pollution from preceding activities of an enterprise. Environmental audit is financed by interested legal entities with their own or borrowed capital in the manner prescribed by law.

Environmental Insurance

Voluntary and compulsory environmental liability insurance of legal entities and individuals, their property and income against losses from natural disasters, accidents and catastrophes, as well as pollution liability insurance provide coverage for life, health and property of the population in the Kyrgyz Republic. Compulsory environmental liability insurance is required for legal entities and individuals engaged in environmentally hazardous business and other activities¹⁶⁴.

¹⁶⁴ Article 36 of the Law of the Kyrgyz Republic "On Environmental Protection" dated June 16, 1999 No. 53.

15. CUSTOMS REGULATION

Legislation

The Kyrgyz Republic is a rightful member of the Eurasian Economic Union (the “EAEU”) along with the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan and the Russian Federation. The Treaty of Accession of the Kyrgyz Republic to the EAEU Treaty entered into force on August 12, 2015¹⁶⁵ thus making the treaties and acts forming part of the EAEU law effective for the Kyrgyz Republic¹⁶⁶.

In the EAEU, there is applied common customs regime based on the EAEU Customs Code¹⁶⁷, the EAEU Treaty and other international agreements and acts forming part of the EAEU law. Customs matters not covered by international agreements and customs regulations will be governed by the customs laws of the EAEU member states until addressed by such international agreements and regulations.

The customs matters in the Kyrgyz Republic are governed by the customs legislation of the EAEU (including the EAEU Customs Code), the customs legislation of the Kyrgyz Republic including the Customs Regulation Law and other legal acts, and by the treaties and other international acts related to customs legislation. The customs legislation of the Kyrgyz Republic applies until the entry into force of legal acts implementing the Customs Code of the EAEU to the extent not inconsistent with the latter.

Customs Regulation

The State Customs Service under the Ministry of Finance of the Kyrgyz Republic is the competent customs authority in the Kyrgyz Republic.

Customs declaration is required for goods placed under a customs procedure or in other cases specified in the EAEU Customs Code.

Customs declaration of goods is made by the declarant or customs representative acting on behalf and at the instruction of the declarant.

¹⁶⁵ The Treaty of Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of May 29, 2014 was signed on December 23, 2014 and entered into force on August 12, 2015.

¹⁶⁶ <http://www.eurasiancommission.org/ru/nae/news/Pages/12-08-2015-1.aspx>

¹⁶⁷ Ratified by the Law of the Kyrgyz Republic “On Ratification of the Treaty on the Customs Code of the Eurasian Economic Union, signed on April 11, 2017 in Moscow” dated December 30, 2017 No. 223 [28].

Customs declarations can be submitted in written and/or electronic form.

Customs control is applied by the customs authorities represented by the competent customs officers acting within the scope of their official (functional) duties in accordance with the EAEU customs legislation and that of the EAEU member-states.

The goods crossing the customs border can be placed under a chosen customs procedure in the manner and on the terms and conditions set forth in the EAEU Customs Code and the EAEU member states legislation.

The chosen customs procedure can be replaced by another one in accordance with the EAEU Customs Code.

Customs Procedures

There are following types of customs procedures applied to goods:

1. release for internal use;
2. export;
3. customs transit;
4. bonded warehouse;
5. inward processing;
6. outward processing;
7. processing for internal use;
8. free customs zone;
9. free warehouse;
10. temporary importation under bond;
11. temporary exportation;
12. re-import;
13. re-export;
14. duty-free trade;
15. destruction;
16. bequeath to the State;
17. special customs procedure.

Customs Fees

Customs fees include:

1. import customs duty;
2. export customs duty;
3. value-added tax charged on goods imported to the EAEU customs territory;
4. excise duty (excise tax or excise charge) charged on goods imported to the EAEU customs territory;
5. customs charges.

Special, anti-dumping and compensatory duties are introduced in accordance with the Eurasian Economic Union Treaty and charged in the manner provided in the EAEU Customs Code.

Customs Control, its Objects and Forms

Customs control is a set of measures adopted by the customs authorities with an aim of reviewing and(or) ensuring compliance with international agreements and acts and legislation of the EAEU member states related to customs regulation.

Customs control is applied by the customs officers of the customs authorities to objects of customs control, defined by the Customs Code of the EAEU with the application of statutory customs control forms and(or) measures.

The forms of customs control are:

- getting explanations;
- verification of documents and information;
- customs inspection;
- customs search;
- personal customs search;
- customs inspection of premises and territories;
- customs check.

Customs control is carried out in the customs control zone and other places where goods are (must or may be) located, including vehicles of international transport and vehicles for personal use, subject to customs control, documents and (or) information systems containing information about such goods.

16. INSURANCE

Legislation

Insurance companies are regulated by the Civil Code, the Law on Organization of Insurance,¹⁶⁸ the Law on Compulsory Insurance of Employer Civil Liability for Occupational Injury or Death¹⁶⁹, the Law on Compulsory Insurance of Carrier's Civil Liability to Passengers¹⁷⁰, the Law on Compulsory Insurance of Civil Liability of Carriers of Hazardous Cargoes¹⁷¹, the Law on Compulsory Insurance of Civil Liability of Entities Operating Hazardous Facilities¹⁷², the Law on Peculiarities of Crop Insurance¹⁷³, the Law on Compulsory Insurance of Civil Liability of Vehicle Owners¹⁷⁴, the Law on Compulsory Insurance of Residential Premises against Fire and Natural Disasters¹⁷⁵ and other legal acts.

Establishment and Licensing

Insurance companies may be founded as open or closed joint stock companies with the initial share capital amounting to:¹⁷⁶

- at least KGS 30 million for voluntary insurance and/or re-insurance services, except cash value life insurance;
- at least KGS 100 million for voluntary or compulsory insurance or reinsurance services, including cash value life insurance, until January 1, 2017, and from July 1, 2017, at least KGS 150 million;

168 The Law on Organization of Insurance dated July 23, 1998 No. 96 (with the latest amendments as of August 6, 2018 No. 88).

169 The Law on Compulsory Insurance of Civil Liability of Employer for Death or Injury of Employee While on Duty dated August 5, 2008, No. 194 (as amended March 22, 2016, No.24).

170 The Law on Compulsory Insurance of Civil Liability of Carrier to Passengers dated August 4, 2008, No. 189 (as amended March 22, 2016, No.24).

171 The Law on Compulsory Insurance of Civil Liability of Carrier of Hazardous Cargoes dated August 4, 2008, No. 188 (as amended March 22, 2016, No.24).

172 The Law on Compulsory Insurance of Civil Liability of Entities Operating Hazardous Facilities dated August 15, 2008, No. 202 (as amended March 22, 2016, No.24).

173 The Law on Peculiarities of Crop Insurance dated January 26, 2009 No. 31 (as amended April 2, 2016, No.33).

174 The Law on Compulsory Insurance of Civil Liability of Vehicle Owners dated July 24, 2015 (as amended August 2, 2016, No.161).

175 The Law on Compulsory Insurance of Residential Premises against Fire and Natural Disasters dated July 31, 2015, No. 209.

176 The Government Resolution No. 292 dated June 1, 2016 approving minimum charter capital for insurance (reinsurance) companies and brokers (as amended October 11, 2017, No.658).

- at least KGS 300 million for re-insurance services until July 1, 2017;
- at least KGS 100 million for re-insurance services within free economic zones in the Kyrgyz Republic;
- at least KGS 1 million for insurance or reinsurance broker services.

Insurance services are subject to licensing and each type of insurance services requires a separate license. A license is valid for an unlimited period, unless otherwise provided therein.

An insurance premium or coverage may be paid in either national or foreign currency. If the insurance premium is paid in foreign currency, the insurance coverage may be paid in Kyrgyz soms if so agreed by the parties.

Intermediary services of an insurance agent or broker involving the execution of insurance contracts on behalf of foreign insurance companies in the Kyrgyz Republic are not allowed. That said, the foreign insurance broker services are allowed in the Kyrgyz Republic upon recognition of the respective license issued by the competent authorities of the foreign states in the manner provided by Kyrgyz law on licensing of certain types of activities.

As of Q1 2024, in the Kyrgyz Republic, there were 17 insurance companies, 9 of which can provide reinsurance services, including State Insurance Company OJSC. Jubilee Kyrgyzstan Insurance Company CJSC is the only company offering cash value life insurance services.

Insurance companies offer more than 84 types of voluntary insurance and more than 6 types of compulsory insurance services.

The rate of insurance premiums received is growing from year to year. Before 2005, it was mainly property and life insurance which predominated; voluntary liability insurance evolved later, with the introduction in 2009 of 4 types of compulsory civil liability insurance for: employers against liability for death or injury of employees while on duty; carriers of passengers; carriers of hazardous cargoes; entities operating hazardous facilities. In 2016, two more types of compulsory civil liability insurance were introduced: for auto-owners and homeowners against fire and natural disasters.

Most of insurance premiums account for property, general liability, compulsory civil liability and cash value life insurance services.

17. SECURITIES MARKET

Legislation

The securities market in the Kyrgyz Republic is governed by the Civil Code, the Securities Market Law of July 24, 2009, the Joint Stock Companies Law of March 27, 2003, and subordinate legislation.

State Regulation

The securities market is regulated by the State Service for Regulation and Supervision of Financial Markets (SSRSFM) under the Ministry of Economy and Commerce of the Kyrgyz Republic which is the primary overseer of the non-bank financial market, accounting and auditing activities.

The SSRSFM is vested with the authority to conduct inspections of securities market participants in order to protect the rights of investors and other third parties.

The securities market regulator has the power to carry out inspections of professional securities market participants, to impose penalties thereon and to issue capital markets services licenses thereto.

Investment in Securities

In January 2023, the Kyrgyz Stock Exchange CJSC (KSE) index increased to 2,316.6 (by 58.8%) compared to 1,482.08 and market capitalization of listed companies increased to KGS 80.5 billion compared to KGS 51.6 billion in the same month of 2021. This growth is attributable to the joint efforts of the government and the KSE.

According to the KSE website, in 2022, the volume of trade amounted to 17,834,308.84 thou. soms, with a notable increase in the primary and secondary markets (almost twice as much as in 2021 [9,738,175.27 thou. soms]), although there were fewer transactions in 2022 (2,011) than in 2021 (2,032).

As of February 15, 2023, the securities of Zhashtyk Invest OJSC, Stroy Dom.KG LLC and ABN Microfinance Company OJSC were traded on the KSE floor.

According to the KSE website, in 2023, the volume of trade amounted to 212,652 thou. soms, with the total number of transactions being 228, most of which were conducted in the primary market (187,429 thousand soms) and the rest -in the secondary market (25,223 thousand soms).

On May 25, 2023, pursuant to the Executive Order of the Cabinet of Ministers of the Kyrgyz Republic of November 4, 2022, the KSE started trading in the 12-month treasury bills and the 2-year treasury bonds.

In June 2023, pursuant to the Resolution of the Cabinet of Ministers of the Kyrgyz Republic "On Sale of Precious Metals on KSE Floor", the KSE and the Precious Metals Department under the Ministry of Finance of the Kyrgyz Republic signed the Agreement on Organization of Trade in Precious Metals on the KSE Floor.

The main purpose of signing the Agreement between the KSE and the Department of Precious Metals under the Ministry of Finance of the Kyrgyz Republic is to create and develop a national organized market of precious metals of the Kyrgyz Republic by sale of precious metals (gold and silver) on the KSE.

In June 2023, pursuant to the decision of the KSE Listing Committee, the first green bonds of Dos-Credobank OJSC were listed on the KSE by including them in the KSE Official List in category B (next best rating on the list).

On November 24, 2023, pursuant to the Decree of the President of the Kyrgyz Republic "On Measures for Further Development of Stock Market and Exchange Activities" of November 15, 2022 No.376, for the purposes of consistent implementation of the state policy on intensification of development and enhancement of the securities market, increase of trust in the stock market institutions and creation of favorable investment environment, the Government Resolution on Acquisition of Additionally Issued Shares of the Kyrgyz Stock Exchange was adopted.

Corporate Securities Sector

Primary Market

In January 2024, the volume of trade at the KSE amounted to around 8 million soms. That said, in the primary market, there were conducted transactions in corporate securities (stocks, bonds) amounting to 4.9 mln. soms, including transactions in shares of Manas International Airport OJSC and Kyrgyzneftegas OJSC and bonds of InvesCore CA MFC OJSC, Stroy Dom. KG, Elet Capital MCC, etc.

Professional Securities Market Participants

According to the SSRSFM website, as of February 15, 2023, there were 4 licensed trade organizers officially registered in the Kyrgyz Republic: 1) Kyrgyz Stock Exchange CJSC, 2) Central Asia International Digital Assets Exchange CJSC, 3) Envoys Vision Digital Exchange OJSC, 4) Kyrgyzstan BTS Stock Exchange CJSC and 8 depositories: 1) Central Securities Depository CJSC, 2) Soyuz Eurasian Currency and Stock Investment Exchange OJSC, 3) Stock Exchange of Kyrgyzstan/Exchange Trading System CJSC, 4) Omega Custody CJSC, 5) Envoys Vision Digital Exchange OJSC, 6) East Gate Custody CJSC, 7) Asia Clear CJSC, 8) CA Custody OJSC.

As of January 15, 2024, capital market services licenses were issued to professional securities market participants in the following categories: brokers (37), dealers (31), securities registrars (12), trust managers (17), investment funds (3), depositories (8) and securities trade organizers (4).

Professional securities market services can be provided by individuals or legal entities holding licenses to engage in the following activities:¹⁷⁷

- Security registrar;
- Depository;
- Broker;
- Dealer;
- Trust manager;
- Securities trade organizer;
- Investment fund.

Only commercial entities may professionally engage in securities market operations. Non-commercial entities may engage in certain operations in the cases established by the laws of the Kyrgyz Republic. Professional securities market participants engaged in broker and (or) dealer activities may not make securities transactions with each other if any of them owns more than 25% share in the capital of another.

¹⁷⁷ Article 40.2 of the Law of the Kyrgyz Republic "On the Securities Market" dated July 24, 2009 No. 251.

18. PUBLIC-PRIVATE PARTNERSHIP

Public-private partnership (PPP) is a form of long-term and mutually beneficial cooperation between government and business to solve the issues of public concern. It is used by government to enter into a long-term contract with a private partner for the (re)construction and/or operation of public and municipal infrastructure facilities (such as roads and railways, hospitals, schools, kindergartens, water and heat supply networks, etc.), subject to mobilisation of private investment and allocation of risks between government and the private partner. As a result, government can solve infrastructure problems by attracting private investment and business can earn money by providing infrastructure operator services.

Over a period of 30 years since gaining independence, the Kyrgyz Republic has been facing financial and economic constraints preventing the construction, financing and operation of infrastructural facilities and adversely affecting the living standards of people. Taking these circumstances into account, the President and the Cabinet of Ministers of the Kyrgyz Republic have been undertaking active efforts over the past few years to introduce and promote PPPs in the country. Thus, it has developed the PPP policy, legal and institutional frameworks and identified potential PPP projects.

Public Policy and Support for PPP

In 2016, as part of its efforts to create favourable conditions for practical implementation of PPP mechanisms in the Kyrgyz Republic, the Kyrgyz Government approved the PPP Development Program 2016-2021 designed to improve and enhance public administration, human potential, and public confidence and awareness regarding PPP.

On July 22, 2019, a new PPP Law was adopted, which entered into force on October 27, 2019. It eliminated a number of inconsistencies in the previous PPP Law 2012. On August 11, 2021, another new PPP Law was enacted, which further simplified procedures for preparation of PPP projects and selection of a private partner, and introduced, among other things, the ability to award projects through direct negotiations.

The PPP Law sets forth general requirements for preparation and implementation of PPP projects, powers and functions of PPP regulators, rights and obligations of public and private partners, state financial and economic support, private investment guarantees, PPP project stages and procedures, conditions precedent and mandatory provisions of the PPP agreement, financial close, dispute resolution and other provisions.

In 2014, as part of its efforts to support public partners (ministries, state committees, administrative agencies, state-owned enterprises, etc.) involved in the preparation of PPP projects, the Government established the PPP Promotion Trust Fund to provide financing for consultancy services related to conducting of feasibility studies, drafting of tender (bidding) documents and PPP agreements, evaluation of bids and selection of preferred bidders.

Legal and Regulatory Frameworks for PPP

According to the PPP Law, public partner can be a PPP authority jointly with a respective government or local self-government authority, or state or municipal enterprise or institution, or joint stock company that is 50 or more percent owned by the state, or, in case of small-scale projects, a respective government or local self-government authority, or state or municipal enterprise or institution, or joint stock company that is 50 or more percent owned by the State. Previously, public partners could be: one or more state executive bodies, executive bodies of local self-government, state and municipal enterprises and institutions, joint-stock companies that are 50 or more percent owned by the State, and there was no differentiation of projects by size.

Among other amendments is the introduction of provisions on small-scale PPP projects which are supposed to attract investments worth 100 million soms or less. Now, to participate in bidding, including for large-scale PPP projects, it is enough to submit one application, while previously, large-scale projects required at least two bidders, otherwise, the bidding was supposed to be declared invalid.

In addition to the above, another important amendment refers to the provision on the amount of investment in the PPP project that must be taken into account when determining the public authority eligible to conduct the competitive bidding. Thus, the bidding for PPP projects worth more than 100 million soms is supposed to be conducted by the PPP Unit (the National Investment Agency under the President of the Kyrgyz Republic), and for PPP projects worth 100 million soms or less, by a respective government or local self-government authority, state or municipal enterprise or institution.

At the same time, for large-scale PPP projects worth more than 1 billion soms, it is supposed to use the most simplified procedure – direct negotiations, i.e. the private partner can be selected without competitive bidding through direct negotiations procedure. Thus, now large-scale PPP projects can be awarded through direct negotiations, provided that the applicant meets the qualification requirements. The procedure for conducting direct negotiations is set out in the Regulation on the Award of PPP Projects Through Direct Negotiations, approved by the Resolution of the Cabinet of

Ministers of the Kyrgyz Republic of March 25, 2022 No.160.

Another novelty introduced by the PPP Law is the ability to apply a regulatory sandbox approach to PPP projects. In particular, in order to test new innovative PPP projects in a pilot mode, the National Investment Agency under the President of the Kyrgyz Republic, as the PPP Unit, can propose a regulatory sandbox for undertaking a particular PPP project. If its proposal is accepted, the PPP Authority can submit a respective draft act to the Cabinet of Ministers of the Kyrgyz Republic. If the Cabinet of Ministers adopts the respective decision on applying the regulatory sandbox approach to the PPP project, the PPP Unit can execute an agreement with an interested party and determine the eligible public partner. The public partner can monitor the PPP project carried out under the regulatory sandbox scheme and if it proves socially and economically viable, can submit proposals to the Cabinet of Ministers on the adoption of measures to apply this approach in the Kyrgyz Republic within the scope of this PPP project.

Thus, thanks to the regulatory sandbox approach, it is possible to significantly simplify and accelerate the process of preparation of PPP projects, bidding, negotiating, etc. by proceeding immediately to the stage of awarding the PPP agreement to the private partner.

Institutional Framework for PPP

Having an effective and efficient institutional framework is a prerequisite for successfully implementing PPP projects. Currently, the PPP regulatory functions are conferred on the the following public agencies:

- Ministry of Economy and Commerce of the Kyrgyz Republic, as the public agency responsible for developing and implementing the state policy and development programs on PPPs, evaluating and approving the PPP projects initiated by the public partners;
- The National Investment Agency under the President, as the PPP Unit responsible for ensuring prior coordination (before approval by the public partner) of bidding documentation (RfQ, RfP, and PPPA) for PPP projects, approving the tender commission and conducting the tender for PPP projects with the value of proposed investments exceeding 100 mln. soms (the tender for projects with the value of investments below 100 mln. soms can be conducted by the public partner itself);
- Ministry of Finance of the Kyrgyz Republic, as the public agency for budget policy responsible for prior review of bidding documentation for PPP projects to be financed by using public funding in terms of a risk to public funds;
- PPP Center under the National Investment Agency under the President, as the public agency

established by the Cabinet of Ministers and responsible for the promotion, implementation and support of PPP projects, as well as assisting the government and local authorities to prepare and implement the PPP projects. The PPP Center maintains a state register of PPP projects and publishes it on its website: www.ppp.gov.kg

PPP Projects

The PPP project on the organization of hemodialysis services in Bishkek, Osh and Jalal-Abad was the first PPP project in the Kyrgyz Republic and the first healthcare PPP project in Central Asia.¹⁷⁸ On August 15, 2017, the country's first PPP agreement was signed between the Ministry of Healthcare, as a public partner, and Fresenius Medical Care Deutschland GmbH (Germany), as a private partner. Moreover, this project has been named among the five best healthcare projects (along with projects in the UK and Turkey) by the Partnerships Awards 2018.¹⁷⁹

Another successful PPP project was the project on the installation of computed tomography scanners in public and municipal healthcare organizations of the Kyrgyz Republic. The PPP agreement between the Ministry of Health and Afey Holding selected as the private partner via tender was signed on September 14, 2022. Under this project, the new CT scanners were installed in healthcare organizations in Bishkek, Uzgen, Toktogul, Kadamzhai, and Balykchy at the private partner's expense. It should be noted that the cost of CT scanning services provided by the private partner under the PPP project is lower than the market prices.

There are also other PPP projects currently implemented in the public transport, culture, education, and renewable energy sectors.

¹⁷⁸ <http://ppp.gov.kg/ru/proekty2/>.

¹⁷⁹ <http://partnershipsawards.partnershipsevents.com/shortlist>.

POSTFACE

This information guide attempts to address as fully as possible the issues faced by investors in the process of starting and running business in the Kyrgyz Republic. However, we realize that it may not answer all questions, as business and its regulation have multiple aspects. Moreover, any specific business situation involves a variety of questions, the answers to which lie not only in legal texts, but also in understanding of their practical application.

We hope that the guide will suffice as a starting point for grasping the general idea of rules for doing business in the Kyrgyz Republic, and will help entrepreneurs and companies who plan to start or have already started business in the Kyrgyz Republic to make it more effective.

Any comments on this guide would be greatly appreciated and should be e-mailed to: office@ka.legal (marked “Guide to Business in the Kyrgyz Republic: Legal Aspects”).

This publication is offered for information purposes only and does not constitute official legal or any other special advice.

INFORMATION ABOUT KALIKOVA & ASSOCIATES LAW FIRM

About us

Kalikova & Associates Law firm (K&A) has been providing the legal services since 2002. Over this period, K&A has grown into the leading law firm in Kyrgyzstan specializing in business law services which is also confirmed by the fact of being listed in a number of international legal directories.

Over the years of its operation, K&A has accumulated a vast and diverse experience in providing legal services to companies doing business in Kyrgyzstan, including foreign investors, international organizations and diplomatic missions. K&A lawyers have consulted on a number of major investment projects in Kyrgyzstan in various areas such as mining, recreation services, financing from international financial institutions, telecommunications etc.

Team is the main asset of any law firm. K&A legal team is comprised of lawyers who are graduates of leading national and international law schools, practicing as licensed attorneys at law, patent attorneys, certified PPP professionals.

Before joining K&A, lawyers gained extensive experience working for governmental, international commercial and non-commercial organizations, large companies operating in different business areas. Our lawyers completed internships in leading law firms in the United States and Europe, are members of the Bar Association of the Kyrgyz Republic, members and arbitrators of the Chartered Institute of Arbitrators in the UK, the Qinzhou Arbitration Commission in China, the Riga International Commercial Arbitration Court in Latvia, the Georgian International Arbitration Center in Georgia, the Arbitration Center in Kazakhstan and the International Court of Arbitration at the Chamber of Commerce and Industry in the Kyrgyz Republic. The K&A team includes licensed attorneys, certified PPP specialists and certified patent attorneys.

Our Mission

Our mission is to facilitate business development in the Kyrgyz Republic by rendering legal services that meet high standards of professional and ethical conduct.

Our Professional Objectives

We strive to provide highly professional legal services in Kyrgyzstan based on the following principles:

- Working in a team environment
- Understanding our clients' businesses
- Producing efficient solutions based on the knowledge and understanding of not only legal, but also economic, political and cultural environment in Kyrgyzstan
- Maintaining high standards of professional conduct

Our Products

We produce efficient legal solutions to protect, support and promote our clients' business.

Areas of Practice

We provide services in the following areas:

- Anti-trust Regulation & Competition
- Contracts
- Corporate Issues & Capital Market
- Employment & Migration
- Environmental Protection, Health & Safety
- Intellectual Property
- International Trade, Customs & Technical Regulation
- Legislative Policy & Regulatory Practice
- Litigation & Arbitration
- Mergers & Acquisitions, Business Restructuring & Reorganization
- Product Liability
- Project Finance
- Public-Private Partnership
- Taxation

We offer advice on the legal regulations of the following industries:

- Aviation
- Banking, Microfinance & Insurance
- Construction & Real Estate
- Education Services
- FMCG
- Hotel & Recreation
- Hydroenergy
- IT & Telecommunications
- International Organizations, Local Non-Governmental Organizations
- Mass Media
- Mining & Exploration
- Oil & Gas
- Pharmaceuticals & Beauty Products
- Tobacco & Alcohol

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