



TAXATION AND CUSTOMS ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES
law firm

Information for effective business solutions

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Industry Update

March 7, 2017

Eurasian Intergovernmental Council meeting ended

The meeting of the Eurasian Intergovernmental Council bringing together the prime ministers of member states of the Eurasian Economic Union (EAEU) in Bishkek ended with the signing of a dozen agreements, including on:

- nomination of members of the board of the Eurasian Economic Commission (EEC);
- determination of sectors of economy having potential and opportunities for the EAEU integration;
- opportunities for mutual trade among the EAEU member states in 2015-2016, etc.

www.24.kg

March 6, 2017

Customs Code coming into force with 22 EEC decisions

The Customs Code of the EAEU will come into force along with 22 additional decisions of the EEC. This was reported by Mukai Kadyrkulov, the Member of the Board and the Minister in charge of the Customs Cooperation of the EEC.

As noted, the draft EEC decisions set forth the policies and guidelines on international movement of goods, customs transit, and other issues applicable to authorized economic operators and customs authorities.

According to M. Kadyrkulov, most documents were submitted for the approval of the authorized bodies of the EAEU

Legal Update

March 22, 2017

Amendments to Tax Code propose certain exemptions for private schools

The amendments to the Tax Code propose exemptions for private educational institutions from income tax, VAT, sales tax and land tax.

The proposed amendments aim to address school shortage and to support private schools.

On March 22, 2017, the amendments were submitted to the President for signing.

www.kenesh.kg

March 9, 2017

Excise duty on cigarettes to increase by KGS 250

MP Dastan Bekeshev proposed to increase excise duty on cigarettes by KGS 250 per year during the next three years with effect from July 1, 2017 and each January 1 thereafter.

However, during the meeting at Parliament the tobacco industry representatives expressed concerns over the second increase in the year.

In this connection, it was proposed to raise the excise duty on a stage-by-stage basis, specifically:

- from January 2018 – up to 1,250 soms;
- from January 2019 – up to 1,500 soms;
- from January 2020 – up to 1,750 soms.

member states. The work on regulatory impact analysis began.

www.24.kg

December 15, 2016

Over RUB 73 million worth of equipment donated by Russian customs authorities to Kyrgyzstan as part of EAEU integration

Spectrographs, chromatographs and other equipment necessary for verification of conformity of local goods with the EAEU standards were donated to Kyrgyzstan by the Federal Customs Service of the RF in order to facilitate modernization of veterinary control service and subsequent abolishment of veterinary border control between Kyrgyzstan and Kazakhstan. The project is funded by the Russian side.

The new equipment was delivered to the laboratories of the national (Bishkek-based) and regional (Osh-based) verification centers of the State Veterinary and Phyto-Sanitary Security Inspectorate.

www.rg.ru

December 5, 2016

China and EAEU reached consensus on exchange of customs information

The fourth round of negotiations between the EAEU and the People's Republic of China held in Moscow ended with consensus on the Customs Information Exchange Agreement to be signed at the next round of negotiations. The information on movement of goods between the PRC and the EAEU will be exchanged between their customs authorities.

It is expected that such regular exchange of information will help enhance trust between the contracting parties to the Agreement, reduce trafficking of counterfeit goods, and accelerate customs clearance and control processes.

www.eurasiancommission.org

December 2, 2016

EEC defined methods of determining customs value of goods exported from FEZ

On December 2, the EEC Board promulgated a decision establishing clear and explicit rules for determining the customs value of goods originating in free economic zones (FEZ) or at free warehouses.

On March 9, 2017, corresponding amendments were approved at second reading. The bill is available on the website of Parliament.

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March 7, 2017

Revised Tax Code now available

The draft Government Resolution approving the bill promulgating the Tax Code of the Kyrgyz Republic and amendments to some legal acts as of March 7, 2017 is now available on the website of the Ministry of Economy.

On December 6, 2016, the Ministry of Economy announced public discussion of the bill.

According to the explanatory note, the revised Tax Code was prepared by the Ministry of Economy in order to adapt Kyrgyz tax law to contemporary economic conditions. The bill also proposes amendments to certain legal acts, such as the Civil Code, Administrative Liability Code, Business Partnerships and Companies Law, Joint-Stock Companies Law, Bankruptcy (Insolvency) Law, Free Economic Zones Law and Consumer Protection Law.

In the revised Tax Code, more than 60% of all articles were amended and more than 70 articles were revised. The Code's fundamental structure and mechanisms have not undergone any critical change.

www.gov.kg

February 25, 2017

Ministry of Economy proposes customs duty exemptions for goods placed under customs procedure of free customs zone

The Ministry of Economy announced public discussion of the draft of the Government Resolution approving customs duty exemptions for goods placed under a customs procedure of free customs zone.

According to the explanatory note, currently free economic zone (FEZ) residents pay customs duties twice: upon release of goods placed under a customs procedure of free customs zone and upon release of finished products from FEZ. As a result, their production costs increase while products become less competitive than those of non-FEZ residents. Therefore, it is proposed to introduce customs duty exemption for goods placed under a customs procedure of free customs zone.

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The EEC established the main principle that the goods produced in FEZ and exported from it to the rest of the customs territory of the EAEU should be considered as imported into the EAEU from third countries. The same principle applies to equipment exported from FEZ to the rest of the customs territory of the EAEU. The customs value of such goods is determined on the basis of the transaction value used upon sale to the rest of the customs territory of the EAEU.

Thus, declarants will be able to determine the customs value of their goods on the basis of their actual value with fair wear and tear taken into account.

www.eurasiancommission.org

February 22, 2017

State Tax Service proposes amendments relating to administration of taxes

The State Tax Service announced public discussion of the draft of the Government Resolution approving amendments to the Government Resolution approving the Tax Administration Regulations and Procedures dated April 7, 2011 No. 144.

The proposed amendments refer to administration of taxes applicable to large taxpayers and set forth qualification criteria for large taxpayers.

The proposed amendments aim to ensure efficient control over collection of taxes and other payments to the state budget, and over compliance with tax and other laws and regulations by large taxpayers.

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February 10, 2017

Ministry of Economy proposes ratification of Double Taxation Agreement between Governments of Kyrgyzstan and Georgia

The Ministry of Economy announced public discussion of the draft of the Government Resolution approving the bill on ratification of the Double Taxation Agreement (DTA) between the Governments of the Kyrgyz Republic and Georgia signed on October 13, 2016 in Tbilisi.

The DTA was signed by the Minister of Foreign Affairs E. Abdyldayev on behalf of the Government as part of the official visit of President A. Atambayev to Georgia.

www.gov.kg

February 7, 2017

Ministry of Economy proposes to approve cameral tax audit regulations

The Ministry of Economy announced public discussion of the draft of the Government Resolution approving cameral tax audit regulations.

The draft aims to address the KR Government Business and Investment Council's decision dated September 10, 2015 setting forth recommendations for the improvement of cameral tax audit regulations and for the introduction of

corresponding amendments to the Tax Code.

According to the explanatory note, the new regulations will help increase efficiency of cameral tax audits.

www.gov.kg

January 31, 2017

Customs Code entry into force delayed

The Customs Code of the EAEU signed by the presidents of Armenia, Kazakhstan, Kyrgyzstan and Russia at the EAEU summit held in late December 2016 has yet to be signed by Belarus leader Alexander Lukashenko.

According to KR State Customs Service Chairman Azamat Sulaymanov, the Customs Code of the Customs Union was expected to become effective from July 1, 2017. However, this date is now in question. The document has not arrived in Kyrgyzstan for ratification.

The contracting parties approved the proposal to launch negotiations with Iran, Egypt, India and Singapore. They also discussed a number of critical issues such as the guidelines and milestones of the EAEU single financial and energy market, services sector liberalization, transport and other policies.

On February 8, 2017, the Ministry of Economy announced public discussion of the draft of the treaty on the Customs Code of the EAEU. The text of the draft is available on the website of the Government.

www.24.kg

December 9, 2016

New forms of indirect tax returns and filling instructions

Government Resolution of December 1, 2016 No. 641 approved amendments to Government Resolution of April 22, 2015 No. 234 approving the forms of indirect tax returns, import declarations, indirect tax payslips, excisable goods expectation notices, import (export) notices, and their filling instruction.

The proposed amendments apply to the form of indirect tax returns and annexes 1 and 3 thereto (FORM STI-123, FORM STI-123-001, FORM STI-123-003), import declaration and indirect tax payslips, and filling instructions. The form of indirect tax return is amended to include Annex 2-1 "List of Commodity Items Subject to Minimum Limits of Reference Prices" (FORM STI-123-002-1).

The Resolution was published in Erkin-Tou gazette No. 109 of December 9, 2016 and entered into force on January 1, 2017.

The logo for Kalikova & Associates, featuring the company name in a serif font and a stylized ampersand symbol to the right, all set against a dark red rectangular background.

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