



TAXATION AND CUSTOMS ISSUES

INDUSTRY AND LEGAL UPDATE

KALIKOVA & ASSOCIATES
law firm

Information for effective business solutions

Issue 2, August 2016 (bimonthly)

Industry Update

July 15, 2016

STS to commence fiscalization of cash registers from September 2016

Beginning in September 2016, State Tax Service (STS) will start introducing the cash control system based on fiscalization of cash registers (CRs) with online data transfer from SRs to STS server. This was reported at the press conference by Oktyabr Abdykaimov and Kubanychbek Kumash, Deputies Chairman of STS.

As Oktyabr Abdykaimov mentioned, on June 15, 2016, the Government of the Kyrgyz Republic adopted a decree "On measures of implementation of mechanism of application of online data transmission cash registers," which implies the beginning of a large-scale execution of the process of fiscalization of cash registers.

The online CRs system will be introduced in four stages until August 2017 in larger retail and service outlets with an area of over 200 square meters in Bishkek and Osh (gas stations, cafes and supermarkets), and smaller outlets in the rest of the country.

www.kabar.kg

July 15, 2016

EEC dealing with Russia's seizure of Ukrainian freight wagons heading to Kyrgyzstan and Kazakhstan

The Eurasian Economic Commission (EEC) is considering a case in which the third countries being the members of the

Legal Update

June 28, 2016

Amendments to indirect tax report forms

Kyrgyz Government Resolution of June 16, 2016 № 326 approved amendments to a number of indirect tax report forms.

According to the press service of STS, amendments were made to make the provisions of tax legislation of the Kyrgyz Republic compliant with the legal framework of the Eurasian Economic Union.

Amendments are made to the annex to indirect tax report form (STI-123-003), to the rules of filling out the indirect tax report (STI-123) and the rules of completing the application for import of goods and payment of indirect taxes (STI-136).

Thus, indirect tax reports should be prepared in accordance with the rules set forth in the above Kyrgyz Government resolution effective from July 2, 2016.

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June 27, 2016

Submission of declarations on production outputs of alcoholic beverages

From July 1, 2016, manufacturers of alcoholic beverages will submit declarations on production outputs instead of statistical report form 1-Alko, the press service of STS

alliance are affected by the sanctions of particular members of the EAEU. This was reported by Arzybek Kozhoshev, the Minister of Economy, at the press conference held at Kabar news agency.

Arzybek Kozhoshev commented on the situation connected with Russia's refusal of entry for 72 wagons heading from Ukraine to Kyrgyzstan and Kazakhstan.

According to A. Kozhoshev, at the moment, the EEC is dealing with this problem. "We cannot say anything concrete on this situation. Information will be available after the discussion of the Eurasian Commission", Arzybek Kozhoshev said.

Note: On July 1, Russia took additional restrictive measures against transit of Ukrainian goods through its territory. In particular, they include extension of the product embargo on a number of Ukrainian goods, including food and industrial products until December 31, 2017, restrictions on transit of goods to Kazakhstan and Kyrgyzstan, complete embargo on transit of goods subject to embargo or fees.

www.kabar.kg

July 6, 2016

STS to offer a new service allowing to pay taxes via RSK Bank ATMs and terminals

State Tax Service offers a new service allowing to pay taxes via RSK Bank ATMs and terminals, STS press-service informed.

This service will allow citizens to pay land tax, real estate tax and personal property tax, including vehicle tax, as well as patent-based tax via RSK Bank ATMs and terminals using its payment cards: Alai Card, Visa, MasterCard.

In order to pay taxes via ATMs and terminals, it is necessary to have tax identification number (TIN), the location (registration) of property or business, the number of the vehicle and the amount of tax due. To confirm the tax payment, the card holder will be issued a check which should be kept (a copy is also desirable as checks tend to fade over time).

www.kabar.kg

June 30, 2016

Customs officers clarified why they require original invoice from hauliers

"Some hauliers underestimate the real value of goods, so if there is suspicion we require the original invoice", Syiabek Abdrakhmanov, the deputy head of the Central Customs commented.

reported. Accordingly, from July 1 of this year, taxpayers engaged in the production, sale and import of ethyl alcohol and alcoholic beverages, instead of departmental statistical reporting will be required to submit declarations on production outputs and turnover of ethyl alcohol and alcoholic products.

The corresponding Government Resolution of June 15, 2016 №318 approves the forms of declarations on production outputs and turnover of ethyl alcohol and alcoholic beverages, as well as the rules of filling out and submitting such declarations.

www.kabar.kg

June 23, 2016

Bill regulating minimum level of control prices of goods imported into Kyrgyz Republic

Parliament considered the joint bill proposing amendments to some legal acts (the Tax Code, the Code of Administrative Liability).

The bill proposes amendments to the Tax Code relating to minimum level of control prices of goods imported and sold in Kyrgyzstan. In addition, amendments propose to impose administrative liability on legal entities and individuals for violation of requirements for minimum control prices. The new requirements will apply to a certain list of goods, especially agricultural products.

Following the discussion, it was decided to submit the bill to voting in the third hearing. The Fiscal Policy Committee approved the bill in the third hearing.

www.kenesh.kg

June 23, 2016

Bill proposing to abolish VAT strict reporting forms and to introduce electronic system for assigning numbers to taxpayers

The members of Parliament considered the bill proposing amendments to some legal acts of the Kyrgyz Republic (the Tax Code, the Criminal Code, the Code of Administrative Liability). The bill proposes to abolish VAT strict reporting forms and to introduce electronic assignment of taxpayer numbers. The proposed amendments will reduce the tax burden on taxpayers acting in good faith and will improve efficiency of administration of VAT.

According to hauliers, during the customs clearance of cargo, the customs authorities require the original invoice from the sender in China and Turkey, however, there is no indication that the original invoice is required. "We import goods from Turkey or China and expect to pay the customs duties at certain rates, but when it comes to customs clearance the rates change. We cannot tell our customers first one price, then the other, one of the hauliers complained.

Hauliers also noted that the number of hauliers in Kyrgyzstan reduced by 70%.

S. Abdrahmanov said that the original invoice is required in cases where there is a suspicion that there is a deliberate understatement of the value of cargo.

www.kabar.kg

June 29, 2016

Next meeting of CIS Council of heads of customs services to discuss the Silk Road Economic Belt Project

The implementation of the Great Silk Road Economic Belt Project is of great interest to all participants of the today's meeting, and I deem it necessary to discuss it at the next meeting of the Council, Andrei Belianinov, the head of the Federal Customs Service of Russia announced at the 63rd meeting of the Council of CEOs of customs services of CIS.

"I propose to discuss the Silk Road Economic Belt Project at the next meeting. This project is important to all of us. Let's begin to discuss its deficiencies and defects. In fact, this project exists, but we have not yet met with the representatives of the business community. Let's set a goal that in the nearest future we will consult with the Chinese and national business representatives and the CIS member states in order to understand expectations of the business community and to offer solutions", A. Belianinov added.

A. Belianinov reminded of the meeting held recently with the Chinese counterparts and their decision to create the Committee on Customs Cooperation in the SCO.

www.kabar.kg

June 29, 2016

Heads of Customs Services of the Russian Federation and the Republic of Kazakhstan note that there are no obstacles to movement of Kyrgyz goods in their territories

There are no obstacles to movement of Kyrgyz goods through

Following its consideration by MPs, the bill was submitted to voting in the second hearing.

www.kenesh.kg

June 8, 2016

Government set aside single tax declaration for the third time

At the plenary session of June 8, the members of Parliament reviewed the bill proposing amendments to the Tax Code, the Law "On introduction of the Tax Code of the Kyrgyz Republic" initiated by the Government of the Kyrgyz Republic.

In general, the bill proposes amendments whereby the owners of property or land plots will have the right but not the obligation to submit declarations until the end of 2019.

After discussion, the bill was submitted to voting in the second hearing. Following the voting, the bill was adopted in the second hearing. The economic and fiscal policy committee of the Parliament of the Kyrgyz Republic was instructed to submit the above bill to the third hearing taking into account the received written proposals and amendments.

www.kabarlar.org

May 22, 2015

Amendments to the Tax Code relating to private kindergartens and private cardiac health institutions

Amendments to the Tax Code of the Kyrgyz Republic propose the grant of exemptions to private kindergartens and private cardiac health institutions from income tax, VAT and sales tax. The main purpose of amendment is to create conditions to support entrepreneurship in the sphere of private pre-school institutions and private cardiac health institutions.

www.president.kg

May 25, 2016

Bills proposing measures against corruption in tax administration

State Tax Service developed a package of bills as part of the detailed plan of step-by-step actions to dismantle

the territory of Kazakhstan and Russia. This was announced by Gosman Amrein, the Deputy Chairman of the State Revenue Committee of the Ministry of Finance of Kazakhstan, at the press conference on the results of the 19th meeting of the joint board of the customs services of the Customs Union member countries.

"The customs authorities do not cause any obstacles to the movement of Kyrgyz goods, because there are no boundaries. The information on bureaucratic obstacles to the movement of goods is not accurate. There are some agricultural products of Kyrgyzstan which are under restriction in connection with the new control system ", G. Amrein noted.

www.kabar.kg

June 22, 2016

IBC confronts increasing tax penalties

International Business Council (IBC) disapproves the bill proposed by STS that imposes differentiated liability on taxpayers for late submission of tax returns.

The bill proposes to amend the Code of Administrative Liability by differentiating the taxpayers' liability depending on the type of offense: failure to submit a single tax return, tax reports with zero indicators, tax reports, calculations and other documents related to taxation in due time.

The members of IBC disagree with such approach. They believe that increased penalties would put employers in a more difficult position. "The purpose of the bill is to dismantle corruption schemes in STS, but in reality it is not only contrary to its purpose, but also provides more opportunities for corruption among tax officials. The document fails to take into account many aspects arising in the course of performance of obligations by taxpayers, such as the period of delay, the amount of debt, systematic violations of the reporting deadlines by the taxpayer. The working group dealing with the bill drafting did not include the representative of the Ministry of Economy of the Kyrgyz Republic, which is the competent authority for the development of fiscal policy, IBC stressed.

The working group agreed with the arguments of IBC. Following the meeting, it was agreed to finalize the proposed bill taking into account the opinions of the business community.

www.24.kg

June 16, 2016

Potential payers of luxury tax identified

The Ministry of Economy of the Kyrgyz Republic identified potential payers of luxury tax. It was decided that higher tax rates will be imposed on apartments and houses with an area

systemic corruption in the tax service.

As indicated by the tax service, the bill aims to reduce corruption pressure on taxpayers when dealing with appeal against actions of tax authorities, to accelerate procedures for handling tax disputes and improve access to justice for taxpayers, to reduce opportunities for corruption when using the "tax post" tool, to reduce the possible risks of corruption when implementing patrol tax inspections, to reduce opportunities for corruption among inspectors (supervisors) when applying sanctions during issuance of patents.

Thus, the document proposes 39 measures aimed primarily at eliminating the causes and conditions that give rise to corrupt elements in the system of STS, as well as narrowing of the risk areas in the field of tax offenses.

www.vb.kg

April 25, 2016

KR Government Resolution of April 25, 2016 № 214 approving measures in furtherance of Article 341 of the Tax Code of the Kyrgyz Republic

In order to regulate the procedure for calculating the amount of land tax on agricultural land, residential land and non-agricultural land, in accordance with Article 341 (Calculation of the amount of land tax) of the Tax Code of the Kyrgyz Republic, the Kyrgyz Government approved the inflation rate for 2016 at 1,034. The decision is effective fifteen days after the date of publication. Published in the newspaper Erkin Too on April 29, 2016 № 36.

of more than 200 square meters and cars not older than 5 years with engine capacities more than 3 liters.

The bill introducing luxury tax is developed by the Ministry of Economy and submitted for public discussion.

As noted by the Ministry of Economy, the purpose of the bill is "to solve the problem of social inequality by imposing higher tax rates on financially wealthier citizens of Kyrgyzstan."

www.akchabar.kg

May 16, 2016

10 specialized organizations granted exemptions from income tax and VAT. STS comments on such exemption

The resolution of the Government of the Kyrgyz Republic "On measures to implement Articles 189 and 253 of the Tax Code of the Kyrgyz Republic" of April 11, 2016 № 206 approved the list of 10 specialized organizations which are granted exemptions from income tax and value added tax.

Exemptions from income tax and VAT are granted to the following organizations: Bishkekvodokanal, Oshvodokanal, Bishkekteploenergo, Bishkekteploset, Severelectro, Vostokelektro, Oshelectro, Jalalabatelectro, Jalal-Abadvodokanal, Kyrgyzzhilkommunsoyuz.

At the same time, the press service of STS reported that the above organizations are exempt from tax only in certain cases.

Thus, specialized organizations may not include the cost of granted household utilities (electricity, heat, etc.) in the total annual income for taxation purposes. They also pay no VAT on granted household utilities.

www.sti.gov.kg

April 8, 2016

8-month membership in the EAEU has more disadvantages than advantages for Kyrgyz businesses

8-month membership in the EAEU has shown that there are a number of trade operations and procedures that are not regulated by the Tax Code of the Kyrgyz Republic or laws of the EAEU. This was announced by Tatyana Kim, the head of the Chamber of Tax Consultants at the international forum on Eurasian Economic Perspective held on April 8, 2016.

According to her, FEZ entities are experiencing significant problems today. This applies to the production of goods and trade of goods which are recognized as the EAEU goods as a result of processing. There are also some differences

between the definitions of 're-importation' in the Customs Code of the EAEU and in the Customs Regulations of the Kyrgyz Republic, which allowed the customs services and tax authorities to try to practice double taxation of taxpayers.

"We regret to state that over the past 8 months the business sector received no advantages from Kyrgyzstan's membership in the EAEU. So far, there were only disadvantages for the country. In fact, this membership allowed wider opportunities for tax evasion and non-competitive environment, Tatiana Kim added.

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