

## INVESTMENT OPPORTUNITIES IN THE KYRGYZ REPUBLIC



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### The Kyrgyz Republic at a glance

The Kyrgyz Republic is a young country, of over 5 million people, known for its hospitality and love of freedom. Located at the very heart of Central Asia, The Kyrgyz Republic possesses a strategic geographic position, neighboring with China, Kazakhstan, Uzbekistan and Tajikistan. The Kyrgyz Republic was the first among the former Soviet Union countries to join the WTO, and has recently adopted a parliamentary system of governance electing its first woman president – Roza Otunbaeva. The majority of the population is Muslim; however, the country is home to over 80 nationalities practising many different religions. The Kyrgyz Republic is a bilingual country, and commonly used languages include Kyrgyz and Russian.

### Kyrgyz-Malaysian Relations

Commencement of the relations between the Kyrgyz Republic and Malaysia dates back to 1992. In 1997, the Kyrgyz Embassy in Kuala-Lumpur was established. From 1997 to 1998, joint Kyrgyz-Malaysian economic research was carried out in order to identify potential industries for Malaysian investment into the Kyrgyz Republic. Since then there have been a number of government and business delegation visits with the most recent being a business forum in Kuala-Lumpur and Kyrgyz-Malaysian investment forum in Bishkek held from March to April 2009. At the Kyrgyz-Malaysian investment forum Malaysian investors were introduced to investment opportunities in tourism, halal meat products, hydropower and other industries in the Kyrgyz Republic.

In 1995 a non-visa regime for up-to 3 months was established between the countries in order to eliminate barriers to travel and boost trade relations and overall investment activities between the Kyrgyz Republic and Malaysia. In 2000 under the Kyrgyz-Malaysian bilateral agreement the countries agreed to cooperate on air service and tourism. Malaysia with its high quality and affordable education system is becoming a more and more attractive place for young people from Kyrgyzstan to pursue university education.

### Investment incentives

Favourable investment law is an underlying element of Kyrgyz investment policy. Kyrgyz laws guarantee protection of foreign investments from expropriation, free return of investment profit and proceeds anytime, stabilization of tax, and customs regimes. Bilateral treaties on support, encouragement and protection of investments strengthen the aforesaid guarantees. The Kyrgyz Republic has entered into investment protection

treaties with over 25 different states, including with Malaysia. Unfortunately, the treaty between the Kyrgyz Republic and Malaysia signed on 20 June 1995 has not yet entered into force. However, the situation may change if investment inflow and outflow between the two countries increases.

Kyrgyz investment laws provide freedom to investors to invest in any industries and business activities. As opposed to the neighboring countries, in the Kyrgyz Republic there is no foreign ownership restriction, except for the agricultural sector. Kyrgyz Republic is also known for liberal foreign currency transactions and convertibility regimes.

The availability of suitable corporate forms, and an easy and low-cost incorporation procedure provide additional convenience to foreign investors. In early 2009, the Kyrgyz Republic adopted a one-shop system of registration. Company registration takes three business days following the submission of a complete set of application documents. Various corporate forms exist under Kyrgyz laws, which are designed to suit different business needs, and protect the interests of shareholders. At the same time the absence of heavy state regulations provides to the company officers freedom and flexibility in managing and operating their businesses in the Kyrgyz Republic.

A liberal tax regime is another indicator of a favorable investment climate in the Kyrgyz Republic. The Kyrgyz Republic has one of the lowest tax rates in the region with profit tax being as low as 10%, VAT 12%, sales tax rates ranging from 1 to 3% and withholding taxes of 5 to 10%. Kyrgyz tax legislation also provides the possibility of entering into individual tax contracts or operating in one of the Free Economic Zones where investors enjoy preferential tax treatment and exemption from customs duties. Tax optimisation may also be achieved under the double taxation treaties to which the Kyrgyz Republic is a party. Currently, over 20 bilateral treaties on avoidance of double taxation have been signed by the Kyrgyz Republic, including bilateral treaties with China, Germany, Austria, Switzerland and Russia. A bilateral treaty with Malaysia was signed on 17 November 2000 and entered into force on 26 December 2006.

Recent social and political difficulties raise concerns among foreign investors in the Kyrgyz Republic. However, the Kyrgyz Government understands the importance of investments to the Kyrgyz economy and remains willing to cooperate with foreign investors and to create favorable conditions to facilitate the operation of foreign businesses in the Kyrgyz Republic.