# KIRKIZSTAN VALUE ADDED TAX ACT

## Chapter 22. GENERAL PROVISIONS

### Article 116. Value Added Tax and its Administration

1. Tax on added value (hereafter referred to as VAT is a form of withdrawal to the Budget of a proportion of the value of all taxable supplies made on the territory of the Kyrgyz Republic including taxable import supplies to the Kyrgyz Republic.
2. The administration of VAT shall be carried out:
3. with regards to taxable supplies - by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic;
4. with regards to taxable imports - by the State Customs Committee of the Kyrgyz Republic;
5. Instructions on administration of VAT collected on supplies on the territory of the Kyrgyz Republic shall be developed by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic, instructions on administration of VAT collected on imported goods - by the State Customs Inspectorate of the Ministry of Finance of the Kyrgyz Republic and approved by the Government of the Kyrgyz Republic.
6. Instructions on administration of VAT on taxable supplies shall be issued by the Ministry of Finance of the Kyrgyz Republic, and on imports - by the State Customs Committee of the Kyrgyz Republic and approved by the Government of the Kyrgyz Republic.

These instructions shall be brought to the notice of taxpayers by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic and the State Customs Committee of the Kyrgyz Republic.

### Article 117. Objects of VAT Taxation

Value Added Tax is charged on:

 (1). taxable supplies;

 (2). taxable imports,

### Article 118. Rates Regulation for the Purpose of Transition to the New Value

**Added Tax (deleted)**

## CHAPTER 23. PAYMENT OF VALUE ADDED TAX

### Article 119. Rate of VAT

Payment of VAT is made at the rate of 20% and applies to the taxable value of taxable supplies and taxable imports of goods, except for supplies taxed at the zero rate of VAT in accordance with Article 149 of this Code.

### Article 120. VAT Calculation Procedure

The amount of tax that has to be paid to the Budget shall be defined as the difference between the amount of tax payable on all taxable supplies made within a tax period and the amount of tax on material resources subject to credit for the same VAT period.

### Article 121. VAT Crediting Procedure

 When paying VAT to the Budget taxable subjects are allowed to credit the amount of VAT paid or payable on acquired material resources used for business purposes to produce taxable supplies, unless otherwise provided by the Tax Code. The amounts of VAT paid or payable on acquired material resources, used for the production of goods, performance of works and rendering services exempt from VAT, are not subject to credit.

1. Except as otherwise provided by the provisions of this Code VAT paid on acquired material resources, works and services is subject to credit to the extent of:

(1). all taxable supplies of goods, works and services made to taxable subjects by other taxable subjects during a VAT tax period;

(2). all taxable imports of goods made by a taxable subject during a VAT tax period,

where those taxable supplies of goods, services and works and taxable imports of goods are used or have to be used for the only purpose of taxable supplies by a taxable subjects only.

1. deleted
2. Where there is an excess of tax assessed under Article 120 of this Code, the difference that occurs is subject to credit under Article 125 of this Code.
3. Tax on acquired material resources is not subject to credit when supplies of goods, works and services or imports of goods are used exclusively for other than business purposes.
4. deleted
5. Item 5 does not apply to taxable subjects who conduct business in he sphere of entertainment in accordance with the Charter.
6. When paying VAT to the budget, taxable subjects shall be entitled to credit of the fixed amount of 5 % of the value of acquired material resources and for raw cotton – 7 % of its value in accordance with Article 139 of the Code and used in production for the purposes of making supplies.
7. Taxable subjects, carrying out construction and assembly works, shall be entitled to credit VAT paid on the acquired material resources used in business for the purpose of making supplies.

### Article 122. Apportionment of Tax on Acquired Material Resources

1. When a taxable subject makes both taxable and exempt supplies, tax on acquired material resources subject to credit shall be calculated in accordance with the following 2 methods:

 1- method

* calculate the amount of tax on acquired material resources used exclusively to produce taxable supplies. This amount of tax is subject to credit;
* calculate the amount of tax on acquired material resources used exclusively to produce exempt supplies. amount is not subject to credit;
* the remaining non-attributable portion of VAT subject to credit shall be calculated according to the following formula :

**A**

amount of non attributable VAT x ------ = amount subject to credit

**A + B**

where:

**A** is the total value of taxable supplies;

**B** is the total value of exempt supplies made within the same period.

2- method

If the value of exempt supplies does not exceed 5% of the total value of supplies or 15 minimum monthly wages (whichever is the lesser amount) for a VAT tax period, the full amount of VAT paid on acquired material resources is subject to credit.

1. If acquired material resources are partially used or must be partially used for economic activity by a taxable subject, the amount of tax subject to credit shall be the amount of VAT paid or payable for acquired material resources, which is calculated after the share of material resources acquired for production of taxable supplies.

### Article 123. Accounting for VAT Liability and Term of Payment

1. When calculating tax, a reporting tax period is considered to be one calendar month. Taxpayers shall assess the amount of VAT themselves under Article 120 of this Code and within 1 month after the end of the tax period shall file VAT calculations with the tax body in accordance with the established format

When supplying goods, works and services related to agricultural production, VAT shall be paid at the time the supply is actually paid for but not later than 10 months after the day of the supply.

1. A VAT calculation, submitted by a taxable subject, is required to include the following data:

(1). taxable supplies made by taxable subjects within a tax period;

(2). amount of tax on acquired material resources subject to credit on the basis of VAT invoices (bills of lading) received within a tax period;

(3). amount of tax subject to credit in respect of taxable imports paid or payable to the Budget during a tax period.

1. Where a taxable subject cannot get the full amount of payment or gets part of it, and this supply is treated as “bad debt” then:
2. a taxable subject can claim the amount of tax subject to credit in and VAT tax period that begins at least 12 months after the end of the VAT tax period in which VAT was charged in respect of the supply;
3. the amount of tax subject to credit is the amount of VAT chargeable in accordance with Article 119 in respect of the supply that relates to the undercharged amount of bad debt.
4. Where a taxable subject receives a payment after the amount of tax has been allowed as a credit for the bad debt under item 3 of this Article, that payment made by the customer upon receiving a credit for the VAT amount by the taxable subject, a further taxable supply is considered from the time when the payment is received.

### Article 124. Entitlement to Tax Subject to Credit

1. In order to be entitled to tax subject to credit in respect of any supply or import of acquired material resources, taxable subjects are required to produce any evidence that:

(1). Goods and services have been supplied to a taxable subject or imported by a taxable subject;

(2). a taxable subject was issued a VAT invoice of the established format in respect of this supply or he paid the tax.

### Article 125. Crediting Procedure where there is an Excess Amount of Tax Subject to Credit

If the tax charged to a taxable person and subject to credit exceeds the tax on supplies for a VAT period under Article 121 of this Code, the excess tax subject to credit is carried forward to the subsequent VAT tax period.

### Article 126. Procedure of Accounting for Excess VAT Amount

Where a taxable subject is in arrears to the Budget in respect of other tax liabilities, the excess VAT amount subject to credit under Article 125 may be offset against other tax liabilities.

## CHAPTER 24 TAXABLE SUBJECTS

### Article 127. Taxable Subjects

A subject becomes taxable if this subject is, or is required to register for VAT under Article 128 of this Code.

### Article 128. Registration Requirements

1. A subject carrying on economic activity is required to register if for a period of 12 calendar months the subject has been making taxable supplies other than supplies exempt under Article 138, whose total turnover has exceeded the registration limit set by the Government of the Kyrgyz Republic. A subject is required to register if, for a period of less than 12 months, the total turnover of taxable supplies and taxable imports of goods has exceeded the required registration limit. A taxable subject is required to register within one month after the end of the period during which the limit was exceeded. Registration will take effect on the 1st day of the second month after the submission of the VAT registration form.
2. The registration limit shall be set by the Government of the Kyrgyz Republic on the proposal of the Ministry of Finance of the Kyrgyz Republic.
3. A subject who is not required to register may register for VAT voluntarily if he makes supplies, other than exempt supplies listed in Article 138, to the registered subjects. In this case all the requirements of this Tax Code, applied to a subject obliged to register, apply to this subject and the period of such registration shall be not less than 2 years or until the business ceases whichever is the earlier.
4. A subject who is planning to set up a business and intends to make taxable supplies is allowed to register for VAT in advance of making any supply. The registration will be reviewed annually by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic and will be cancelled if the intention to make supplies no longer exists. No refund of excess tax subject to credit will be made by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic under Article 159 of this Code, if no supplies have been made for six consecutive months. All the provisions of this Part of the Code shall apply to the subjects who are required to register and to those subjects who applied for voluntary registration.

### Article 129. Registration of VAT Taxpayers

1. When registering a subject for VAT the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic is required to issue a certificate of registration, which indicates:

(a). name and legal address of a taxable subject and other necessary information;

(b). date from which registration takes effect;

(c). tax identification number of a taxpayer.

1. The State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic may register a subject for VAT if the subject has not applied to be registered provided the State Tax Inspectorate of the Ministry of Finance has proven that the subject is required to be registered.

### Article 130. Cancellation of Registration for VAT

1. A taxable subject is required to apply to the tax authorities to have the registration act cancelled, if:

(1). a subject has stopped making taxable supplies;

(2). taxable supplies have not exceeded the registration limit in the most recent twelve months' period. This provision does not apply, if a subject continues to make taxable supplies and elects to continue to be registered.

1. Registration cancellation takes effect:

(1). at the time the subject stops requiring to be registered for VAT;

(2). on the first day of the month following the one in which application for deregistration was submitted under Item 1(2) of this Article.

1. On deregistration the subject has to pay tax on supplies in respect of his residual stock of raw materials, finished products and capital assets. The value for tax is their production value.

## CHAPTER 25 DEFINITION OF SUPPLIES OF GOODS, WORKS AND SERVICES

### Article 131. Supplies of Goods, Works and Services

1. A supply of electricity, gas, heating, refrigeration and air conditioning is a supply of goods.
2. A supply of works or services incidental to a supply of goods is part of the supply of goods.
3. A supply of works or services incidental to imports or exports of goods is part of the imports or exports of goods.
4. A supply of goods incidental to a supply of works or services is part of the supply of works or services.
5. A supply of goods, works or services that breaks the laws of the Kyrgyz Republic is subject to VAT in the same way as an ordinary supply.

### Article 132. Supplies by Agents and Employees

1. A supply made by an agent on behalf of a subject is a supply by the subject.
2. An agent's supply of works or services to the subject is not a taxable supply by the subject.
3. A supply of works or services made by an employee to the employer by reason of employment is not a taxable supply made by the employee.

### Article 133. Transfers of Right to Carry on Economic Activity

If a taxable subject supplies a business or part of business by transfer as a going concern and this subject is taxable in respect of this business at the time of the transfer the transfer is not a supply of goods, works or services for the purpose of this Part of the Code if:

(1). the transferee is or becomes a taxable subject in respect of the business or the part of the business that is transferred immediately upon the transfer of the right;

(2). the transferee carries on business as a going concern after the transfer.

### Article 134. Date of Tax Liability Occurrence

1. The date of tax liability is the date of a supply. The date of a supply is the date of shipment of goods, performance of works or services unless otherwise provided by items 2., 3., or 4. of this Article.
2. For goods, the date of a supply is the day of goods shipment to the customer. Where immovable goods are supplied, the date of a supply is the date on which the goods are made available to the customer. VAT payment is made in accordance with Article 123.
3. For works performed or services rendered, the date of a supply is the date when all the work has been completed or have been rendered.
4. If a VAT invoice is issued, or any payment is received prior to a supply, the date when tax liability occurs is the date of a VAT invoice issue or the date when a payment is received, whichever is the earlier.
5. If goods, works or services are supplied on a continuing basis (for more than a year), the date of tax liability occurrence is the date of issue and regular furnishing of VAT invoices or the date of receipt of each regular payment, whichever is the earlier.
6. For the performance of construction and assembly works the date of a supply shall be the date on which the work is completed and paid for.

### Article 135. Place of Goods Supply

1. Except as otherwise provided by this Code, a supply of goods takes place where the goods are delivered or made available by the supplier or, if delivery or making goods available involves goods transportation, the place where the goods are when transportation starts.
2. A supply of electricity, gas, heating, refrigeration or air conditioning takes place where the above mentioned goods and services are received.

 **Article 136. Place of Supply of Works or Services**

1. Except as otherwise provided by this Code, a supply of works and services takes place where these works are performed or these services are rendered.
2. A supply of works or services related to land or immovable property takes place where the land or immovable property is situated.
3. A supply of transportation works or services, or services incidental to transportation takes place where the transportation takes place.

### Article 137. Imports of Goods

 Imports of goods takes place when the Customs border of the Kyrgyz Republic is crossed under the Customs Law.

## CHAPTER 26 EXEMPT SUPPLIES and ZERO-Rated SUPPLIES

### Article 138. Exempt Supplies

A supply is an exempt supply for the purposes of this Code if it is one of the types of supplies described in Articles 139 to 146 below.

### Article 139. Supplies Related to Land, Agricultural Produce and Buildings

1. A supply of residential buildings or residential accommodation lease is an exempt supply, with the exception of:

(1). lease of hotel type accommodation, boarding houses and sanatoriums for medical treatment and rest;

(2). lease of structures for parking cars and other vehicles;

1. A supply of land is an exempt supply with the exception of leasing land for vehicle parking.
2. A supply of agricultural produce by agricultural producers is a VAT exempt supply.
3. A supply by an agricultural producer of processed agricultural produce grown by this agricultural producer is a VAT exempt supply.

### Article 139-1. Supplies related to Gold

 Supplies and exports of gold alloy and refined gold are VAT - exempt supplies.

**Article 140. Financial Services**

1. A supply of financial services is an exempt supply.
2. For the purposes of this Article, financial services are:
3. providing and negotiating loans, assessing and collecting interests on loans, granting loans, credits, credit guarantees and any security for money, including management of loans, credits or credit guarantees by the creditors;
4. transactions related to deposit and current accounts and other types of accounts, payments, transfers and debt liabilities, checks and commercial circulating means of payment, collection and factoring;
5. transactions with currency, bank notes and money being legal means of payment, except for gold coins and collection items;
6. transactions related to shares, stocks, bonds and other securities and also excise banderoles, except for services of custody of securities;
7. financial leasing and other transactions indirectly related to crediting;

6) management of investment funds.

### Article 141. Insurance and Pension Services

A supply of insurance services, pension services, or other related services made by a supplier of insurance or pension services, including management of insurance and pension funds, is a VAT exempt supply. Services by brokers and agents of these organizations are VAT exempt supplies.

The services of financial consultants, assessors, lawyers and other experts related to any claim assessment are not exempt supplies.

### Article 142. Transport Services

A supply of services by the system of municipal, rayon (in rural areas) transport, except for taxis, incidental to conveyance of passengers in cities, villages and to suburban destinations and by water, rail, and motor transport is a VAT exempt supply.

### Article 143. Postal Services and Pension and Benefit Delivery Services

A supply of postal services by post offices and services of pension and benefit delivery, is a VAT exempt supply.

### Article 143-1. Supply of Public Utilities to the Population

A supply of public utilities to the population (electric-energy, gas, radio, TV antenna, hot and cold running water, heating, etc.) is a VAT exempt supply.

### Article 144. Privatization

A supply, transfer of assets, property of state enterprises by way of privatization is a VAT exempt supply.

### Article 145. Supplies by Non - Commercial Organizations

Supplies for a consideration that does not exceed the cost of making these supplies are VAT exempt supplies, if these are:

1. supplies of goods, works and services by non-commercial organizations to health care, education, science, culture and sports institutions;
2. supplies of goods, works and services by non-commercial organizations for social protection and welfare of children or low income old people;
3. supplies of services by organizations of health care, education, science, culture and sports;
4. supplies of services by philosophical organizations with a view spiritual welfare;
5. supplies of specialized goods for invalids.

**Article 146. Betting and Gaming - Deleted**

### Article 147. Exemption from VAT on Imports

1. Goods, belongings and other articles listed in Item (2) of this Article and those stipulated in the customs legislation acts are exempt from VAT, if their importation to the Customs territory of the Kyrgyz Republic complies with the terms stipulated in the provisions of the Customs Law.
2. The following goods, belongings and other articles are exempt from VAT:
3. goods supplied for rendering assistance when eliminating the consequences of natural calamities, war conflicts and accidents;
4. goods supplied as humanitarian aid in the manner determined by the Government of the Kyrgyz Republic;
5. imported goods which were earlier exported by the same importer;
6. goods imported temporarily under a bond that they will be exported unchanged within a period established by the Customs Law;
7. wrong delivery that is being returned to the original exporter;
8. goods in transit via the territory of the Kyrgyz Republic;
9. goods intended for official use by foreign employees and representations, and goods for personal use by the members of diplomatic, administrative and technical personnel of such representations, including members of their families, and not for resale;
10. excise banderoles.
11. The following goods are exempt from VAT:
12. pharmaceuticals in accordance with the list approved by the Government of the Kyrgyz Republic.
13. educational supplies, school accessories and scientific publications according to the List approved by the Government of the Kyrgyz Republic in accordance with the Commodity Nomenclature of Foreign Economic Activity;
14. baby food;
15. technological equipment imported as a contribution to the foundation capital (funds) according to the List approved by the Government of the Kyrgyz Republic in accordance with the Commodity Nomenclature of Foreign Economic Activity;

### Article 148. Imports of Capital Assets Exempt from VAT - Deleted.

### Article 149. Zero-Rated Supplies

A taxable supply is a zero-rated supply, given it is one of the types of the supplies stipulated in Articles 150 - 151 of this Code.

### Article 150. Exports.

Exports of goods are a zero-rated supply, unless they are exports of gold alloy and refined gold.

### Article 150 - 1. International Transportation

Supply of works or services incidental to international passenger, baggage and freight transportation is a VAT zero rated supply.

### Article 151. Diplomatic and Similar Privileges

1. A supply of goods and services provided for official use to foreign diplomatic or consular representative offices in the Kyrgyz Republic and for personal use by their diplomatic or consular personnel is a zero-rated supply.
2. A supply of goods or services to an international organization is a zero-rated supply to the extent required by relevant international agreements to which the Kyrgyz Republic is a party.

## CHAPTER 27 TAXABLE VALUE

### Article 152. Taxable Value of Supplies

1. Except as otherwise provided by this Code, the taxable value of a supply is the total consideration paid or payable by all subjects for that supply less the VAT.
2. Where consideration is paid or payable in kind, the taxable value includes the market value of goods, works and services.
3. The taxable value of a supply also includes the total value of all other fees, taxes and duties payable on the supply or by reason of the supply, provided it does not include:
4. any state duty imposed under the Law of the Kyrgyz Republic “*On State* *Duty*”;
5. VAT payable on the supply under this Code.

### Article 153. Adjustment and Rebates

1. Where the consideration for a supply is adjusted after the supply has been made by reason of an increase or decrease of the total payment, the taxable value of a supply shall be appropriately adjusted.
2. Where the consideration for a supply is reduced as a result of a discount or rebate made at the time of the supply, the taxable value of the supply is appropriately reduced.
3. Where the consideration for a supply is reduced as a result of a discount or rebate granted for prompt payment, the taxable value of the supply is appropriately reduced.

### Article 154. Supplies Made for a Consideration Less than Market Value

1. Where goods have been supplied to a taxable subject for the purpose of the subject's economic activity, the appropriation of these goods by the subject or by members of his family or household shall be treated as a taxable supply by this subject.
2. The taxable value of a supply stipulated in item (1) of this Article is the cost to the subject making the supply.
3. Where goods have been supplied to a taxable subject for the purpose of the subject's economic activity, a supply of those goods free of charge to employees of this subject or to other subjects who are not members of their families shall be treated as a taxable supply by this subject.
4. The taxable value of goods, stipulated in item (3) of this Article, shall be the cost to the subject making the supply.
5. Where goods and services are supplied for less than the market value for mercenary purposes, the taxable value of a supply shall be the market value.

### Article 155. Taxable Value of Imports

1. The taxable value of imports of goods is the customs value of those goods.
2. The taxable value of imports of goods also includes all transport, insurance and other expenses incurred in importing goods.
3. Taxable value of goods imports also includes the total amount of customs fees and taxes payable at importation of these goods, except for VAT.

## CHAPTER 28. VAT PAYMENT, ACCOUNTING AND REFUND PROCEDURES

### Article 156. VAT Invoice and Records

1. Except as otherwise provided in this Code, a taxable subject making a taxable supply is required to issue a VAT invoice in respect of that supply to the subject receiving the supply.
2. A VAT invoice format is developed by the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic.
3. VAT taxpayers are required to enter all sales and purchase invoice data in books on a regular basis and keep them. VAT amounts in these books must agree with the amounts shown in VAT returns.
4. When cash sales are made from retail outlets no VAT invoice is required, provided the following terms are met:
5. a registered subject must have a cash register, cash book and other types of records at each trade outlet for entering all the details of all transactions taking place when cash is received and payments are made and at the end of each day a balance between receipts and payments should be struck;
6. at the end of each day the tax chargeable on all the supplies made and the tax on the acquired material resources shown on invoices shall be recorded in the appropriate books;
7. where a supply of works or services has been made for cash, a tax invoice shall be issued at, or before, the time the cash is received.
8. VAT invoice on exported goods should contain:
9. an entry to the effect that the invoice relates to an export;
10. the destination of the export.

### Article 157. VAT Returns and Payment of VAT

1. Every taxable subject is required:
2. to fill up a VAT return for each VAT period, and
3. make a payment to the budget of VAT payable for a VAT period on or before the date on which a VAT return is due,
4. tax must be paid for a tax period by the day a VAT return is due.
5. A VAT return is required to be filed for each VAT period not later than 1 month after the end of the VAT period.

### Article 158. Tax Period for VAT

1. Except as otherwise provided in this Code, a VAT period is the period of a month starting on the first day of that month.
2. Where a taxable subject is first registered for VAT, a VAT period starts on the day on which a certificate of registration is issued under Article 129.
3. In the month in which the registration of a taxable subject is cancelled, a VAT period starts on the first day of that month and ends on the day on which the registration is cancelled.

### Article 159. VAT Refund from the Budget

1. If a taxable subject makes regular zero-rated supplies under Article 149 of this Code and the tax subject to credit regularly exceeds the total amount of tax payable on supplies, the subject is entitled to a refund from the Budget of the excess amount subject to credit within 30 days from the day the State Tax Inspectorate of the Ministry of Finance of the Kyrgyz Republic received a correctly completed VAT return showing the amount of excess tax subject to credit.
2. A refund described in item (1) of this Article shall not be payable where a taxable subject owes tax or penalties to the Budget in respect of other tax liabilities. In this case a refund amount must be offset against a fraction of the debt payable to the Budget.