



## GOVERNMENT OF THE KYRGYZ REPUBLIC

### RESOLUTION

Dated April 24, 2019, No. 193

#### **On implementing Articles 153, 159-1, 213, 315, 330 and 344 of the Tax Code of the Kyrgyz Republic**

*(as amended by Resolution No. 146 of the Cabinet of Ministers of the  
KR, dated August 18, 2021)*

To encourage investment activities of industrial and innovative enterprises opening in subsidized settlements of the Kyrgyz Republic, implement articles 153, 159-1, 213, 315, 330 and 344 of the Tax Code of the Kyrgyz Republic, the Regional Policy Concept of the Kyrgyz Republic for the period 2018-2022, as approved by Resolution No. 194 of the Government of the Kyrgyz Republic on March 31, 2017, in accordance with articles 10 and 17 of the Constitutional Law “On the Government of the Kyrgyz Republic”, the Government of the Kyrgyz Republic

#### HEREBY RESOLVES:

1. To define the following human settlements as preferential:
  - Settlements of the Kyrgyz Republic: Karakol, Balykchy, Naryn, Kochkorka, Tokmok, Kara-Balta, Talas, Isfana, Batken, Kadamzhay, Uzgen, Kara-Suu, Tash-Kumyr, Kara-Kul, Jalal-Abad, Kerben, Kochkor-Ata, Kyzyl-Kiya, Sulukta, Mailuu-Suu, Nookat, Aidarken, Kok-Jangak, Toktogul, Cholpon-Ata, Shopokov, Kant, Orlovka, Kemin, Kaindy;
  - aiyl aimaks receiving equalizing grants (transfers) from the national budget in order to maintain a stable social and economic situation.
2. Approve:
  - List of preferential types of industrial activities subject to preferential taxation, according to Annex 1;
  - Model investment agreement on the implementation of activities in the preferential human settlements (hereinafter – “the Agreement”) according to Annex 2.

3. The decision to grant tax privileges for the preferential industrial establishments within a particular human settlement shall be made on the basis of an investment agreement concluded by the local self-government bodies of the human settlements, as referred to in paragraph 1 of this Resolution, with investors in new industrial establishments that have completed the state registration after January 1, 2019, whose activities relate to preferential industrial activities subject to preferential taxation.

4. Government agencies and local self-government bodies (as may be agreed), when concluding agreements shall consider as export-oriented new industrial establishments / products that have completed the state registration after January 1, 2019 and export products for six (6) consecutive calendar months, and such exports account for at least 50 percent of the total volume of supplies.

5. Preferential taxation does not apply to branches and representative offices of preferential industrial establishments located outside a human settlement with the effective preferential treatment.

6. The State Agency on Local Self-Governance Affairs and Inter-Ethnic Relations under the Government of the Kyrgyz Republic shall submit to the Ministry of Investments of the Kyrgyz Republic, as well as to the State Tax Service under the Government of the Kyrgyz Republic on a quarterly basis:

- Information on agreements concluded by local self-government bodies of preferential human settlements with investors;
- Information on agreements terminated early due to the investor's failure to comply with the terms of the agreement or end of the established period of privileges.

*(as amended by Resolution No. 146 of the Cabinet of Ministers of the KR, dated August 18, 2021)*

7. Instruct to the Ministry of Investment of the Kyrgyz Republic, on the basis of information received from the State Agency for Local Self-Governance Affairs and Inter-Ethnic Relations under the Government of the Kyrgyz Republic, as specified in paragraph 6 of this Resolution, to:

- Form a list of entities subject to preferential taxation on the basis of agreements concluded by local self-government bodies with investors;
- Monitor and assess the performance efficiency of the agreements implementation.

*(as amended by Resolution No. 146 of the Cabinet of Ministers of the KR, dated August 18, 2021)*

8. The Ministry of Economy of the Kyrgyz Republic jointly with the State Tax Service under the Government of the Kyrgyz Republic shall, within a two-year period, develop and submit to the Government of the Kyrgyz Republic a draft decision of the Government of the Kyrgyz Republic on defining the procedure for including and excluding enterprises from the List of Industrial Activities subject to preferential taxation, with differentiation of the preferences provided by year, by an enterprise, and setting a reference value that accounts the amount of sales revenue and total amount of paid income tax.

9. The State Service for Intellectual Property and Innovation under the Government of the Kyrgyz Republic shall, within four months, develop and submit a draft decision of the

Government of the Kyrgyz Republic on the approval of criteria for determining the types of industrial production based on innovative technologies in the prescribed manner.

10. The Economy and Investment Division of the Government of the Kyrgyz Republic shall be in charge of monitoring the implementation of this Resolution.

11. This Resolution shall enter into force fifteen (15) days after the date of its official publication.

*Published in Erkin-Too newspaper, edition 33, April 30, 2019.*

**Prime Minister of the Kyrgyz Republic**

**M. Abylgaziev**

**LIST of Preferential Industrial Activities subject to Preferential Taxation**

#	SICEA Code (*)	Description of Economic Activities
1		<b>All types of industrial production based on innovative technologies</b>
2		<b>Textile &amp; clothing and food industry</b>
	13	Textile industry
	14	Clothing industry
	15	Manufacture of leather, leather goods and footwear
	10	Food production (except tobacco products)
3		<b>Electric energy sector</b>
	35.11	Electricity generation
	35.12	Electricity transmission
	35.13	Electricity Distribution
	35.14	Electricity sales
4		<b>Agricultural Processing</b>
	10.11	Production (processing and preservation) of meat, except poultry meat
	10.12	Production (processing and preservation) of poultry meat
	10.20	Processing and preserving of fish, crustaceans and molluscs
	10.3	Processing and preserving of fruits and vegetables
	10.31	Processing and preserving of potatoes
	10.39	Other processing and preserving of fruit and vegetables
	10.51	Operations of dairies and cheese making
5		<b>Assembling industry</b>
	26	Manufacture of computer, electronic and optical product
	27	Manufacture of electrical equipment
	28	Manufacture of machinery and equipment, not elsewhere specified
	29	Manufacture of motor vehicles

	30	Manufacture of other transport vehicles
	31	Manufacture of furniture
	32	Other manufacturing
<b>6</b>		<b>Any export-oriented industry</b>

Note: Standard Industrial Classification of Economic Activities (SICEA).

Approved by

\_\_\_\_\_

(authority name)

\_\_\_\_\_

(Full name of approver and position)

\_\_\_\_\_

Signature, stamp

" \_\_\_\_ " \_\_\_\_\_ date

**MODEL INVESTMENT AGREEMENT  
on Operations in Preferential Human Settlements**

" \_\_\_\_ " \_\_\_\_\_

(date) (month) (year)

This Investment Agreement (hereinafter, “the Agreement”) [is made] on operations in the preferential human settlement

\_\_\_\_\_ (name of local self-government body)

represented by

\_\_\_\_\_ (Full name of director)

acting pursuant to \_\_\_\_\_, hereinafter, “the Executive Local Self-Government Body”, on the one part, and

\_\_\_\_\_ represented by (Full name of director)

\_\_\_\_\_ acting pursuant to (Full name of legal entity)

\_\_\_\_\_ hereinafter, “the Investor”, on the second part, (normative and legal act, charter, regulation, etc.)

hereinafter referred to as the “Party” and collectively referred to as “the Parties”.

Recognizing the importance and priority of attracting investment to the regions of the Republic, and also taking into account that:

- The investments legislation of the Kyrgyz Republic is aimed at creating a favorable investment climate for the development of the economy and investment promotion;
- Each of the Parties confirms that they have the necessary legal authority to execute and deliver this Agreement;

- The executive local self-government body and the Investor have agreed that this Agreement shall govern their mutual rights and obligations during the implementation of the Investment project;

The Parties have hereby agreed on the following:

## **1. Terms and Definitions**

1.1. Terms used in this Agreement shall have the following definitions:

Executive Local Self-Government Body means a body established for formulation and execution of decisions of a representative local self-government body. The Executive Local Self-Government Bodies shall be the mayor's offices, ayil okmotu;

Investor means a legal entity or individual which invests in the preferential human settlement area to undertake preferential economic activities and create jobs;

Legal Entity means any company, corporation, limited liability company, joint stock company, partnership, company, entity, joint venture, unincorporated joint venture, association, trust fund or any other legal entity, organization or enterprise, duly established under the legislation of the Kyrgyz Republic in the area of state registration of legal entities, branches/ representative offices, which have been registered after January 1, 2019, and the activities of which fall under the preferential types of industrial operations subject to preferential taxation.

Official Permit means any permit, license, certificate, registration, authorization and any other approval or consent of the government authority (government agencies);

Investment Promotion Authority means an authority acting on behalf of the Government of the Kyrgyz Republic (hereinafter, "the authority");

Tax Agencies means regional units of a tax authority.

## **2. Scope of Agreement**

2.1. The scope of this Agreement is an investment in a new preferential industrial establishment that has passed the state registration after January 1, 2019, whose operations will be conducted in the preferential human settlement under the terms of this Agreement. This Agreement shall not apply to branches and representative offices of the preferential industrial establishments located outside the preferential human settlement.

## **3. Rights of Parties**

3.1 The Executive Local Self-Government Body shall have the right to:

- 1) Monitor the Investor's compliance with the terms of this Agreement;
- 2) Request and receive from the Investor in due time information and documents confirming the performance of obligations by the Investor under this Agreement, as well as information related to the implementation of the Investment Project;
- 3) Make proposals for amendments and/or additions to this Agreement in the prescribed

manner;

- 4) Exercise other rights established in accordance with the tax legislation of the Kyrgyz Republic as well as the Law of the Kyrgyz Republic "On local self-government" and this Agreement;
- 5) Provide full exemption from property tax, land tax on residential and non-agricultural land for entities whose activities are registered in accordance with the Standard Industrial Classification of Economic Activities, approved by Resolution No. 9 of the Government of the Kyrgyz Republic of January 11, 2011, operating in the preferential human settlements and fall under the preferential industrial activities subject to preferential tax treatment, as set forth in Article 159-1 of the Tax Code of the Kyrgyz Republic; such exemption shall be granted for five years, with the right for further extension for up to 10 years, depending on the amount of sales profit and amount of paid income tax.

### 3.1 An Investor shall have the following rights:

- 1) Implement an Investment Project, take actions not inconsistent with the provisions of this Agreement, the tax and customs legislation of the Kyrgyz Republic and the legislation of the Kyrgyz Republic in the field of investment, environmental protection, licensing and permitting system, and entrepreneurship;
- 2) In accordance with the Civil Code of the Kyrgyz Republic, an Investor may choose general local and foreign contractors, including, but not limited to, a design company, general contractor, subcontractors for design and construction works as well as other companies for construction of facilities stipulated by the Investment project and for their repair, reconstruction, rehabilitation and improvement and also choose suppliers of goods;
- 3) Transfer the performance of a part of the works on the implementation of the Investment Project provided by the Investor in accordance with this Agreement to one or more subcontractors selected by the Investor at its own discretion, provided that all such subcontractors have appropriate official permits to perform the transferred scope of works. Notwithstanding such transfer, the Investor shall be fully responsible for the transferred work to the Executive Local Self-Government Body;
- 4) Enjoy preferential tax treatment in accordance with the provisions of Article 159-1; Part 4 of Article 213; paragraph 8 of Part 1, Article 315; paragraph 3, Part 4, Article 330; and Part 3, Article 344 of the Tax Code of the Kyrgyz Republic
- 5) Make proposals to the Executive Local Self-Government Body for amendments and/or additions to this Agreement, in the prescribed manner, except for Section 4 "Obligations of the parties", as well as its termination;
- 6) Approach the Executive Local Self-Government Body to get explanations in connection with the execution of this Agreement and assistance in solving issues related to the implementation of the Investment Project;
- 7) Determine on a stand-alone basis its contractors, partners, credit organizations for implementation of the Investment Project.

## **4. Obligations of the Parties**

### 4.1 The Executive Local Self-Government Body undertakes the following obligations:

- 1) Comply with the requirements of tax legislation of the Kyrgyz Republic, investment



legislation of the Kyrgyz Republic and this Agreement;

- 2) Provide property tax and land tax preferences for five (5) years in accordance with the Tax Code of the Kyrgyz Republic
- 3) Provide advisory and informational support to the Investor on issues related to the implementation of the Investment Project;
- 4) Render assistance to the Investor in obtaining technical permits for connecting construction facilities created in the course of the Investment Project to utility networks;
- 5) Ensure confidentiality of the information received from the Investor in accordance with this Agreement.

4.2 An Investor undertakes the following obligations:

- 1) Ensure the implementation of the Investment Project in accordance with the schedule plan as specified in subparagraph 2 of paragraph 4.2 of this Agreement;
- 2) Undertakes obligations for five-year period:
  - to invest the amount of \_\_\_\_\_KGS thousand;
  - to create\_\_\_\_\_jobs;
  - to ensure production output equal to\_\_\_\_\_KGS thousand;
  - to pay income tax in the amount of \_\_\_\_\_KGS thousand;

including, over the period of five years, based on the table below:

		KGS thousand					
#		Yea r 1	Yea r 2	Yea r 3	Yea r 4	Yea r 5	Total
1	Investment amount						
2	Number of jobs						
3	Production output						
4	Sales revenue						
5	Amount of paid income tax						

- 3) implement Investment Project on the territory of the Kyrgyz Republic in the period of not later than \_\_\_\_\_years;
- 4) provide financing of the Investment project in the amount of fixed assets investment not less than\_\_\_\_\_millions of US dollars (VAT excluded);
- 5) create by the time of start-up of production at least \_\_\_\_\_new jobs;
- 6) comply with the requirements of Kyrgyz Republic business legislation, including construction, technical, industrial, environmental, and other safety standards, and the Agreement when implementing the Investment Project. In particular, the

Investor shall comply with the labor legislation of the Kyrgyz Republic applicable to its personnel, including hiring, health care, social security and work permits for foreign nationals;

- 7) Provide information on the progress of the Investment Project, at the request of the Executive Local-Government Body, tax authorities, the government authority;
- 8) In case of termination of this Agreement in connection with failure to comply with the terms of the Agreement, pay the full amount of taxes for which preferences have been granted (land tax, property tax, profit tax, sales tax), as charged from the date of implementation of activities under this Agreement.

## **5. Confidentiality**

5.1. Pursuant to this Agreement, the Parties shall observe the conditions of confidentiality of all documents, information and reports related to the work on the implementation of this Agreement during its validity period.

5.2 No Party shall disclose information concerning the contents of the Agreement or other information considered as confidential and related to the implementation of the Investment project of the Parties, without obtaining a prior written consent of the other Party, except for the cases:

- 1) Disclosure of information is required for the legal proceedings;
- 2) Information is presented to the third party rendering services to one of the Parties under the Agreement, on condition that such third party undertakes to keep in confidentiality such information and use it only for the purposes and terms, determined by the Parties;
- 3) Disclosure of information to a bank or other financial institution, which provides funding for a Party to the Agreement, provided that such bank or financial institution undertakes to keep in confidentiality such information;
- 4) Submission of information to the tax or other government authorities of the Kyrgyz Republic, which have access to any information, including bank secrecy, related to any bank accounts of the Investor, including those opened with foreign banks outside the Kyrgyz Republic;
- 5) Publication by the Executive Local Self-Government Bodies in the mass media of normative legal acts related to the Investment Projects implemented on the basis of the Agreement. In this case, the Executive Local Self-Government Body may publish only information about the amount of investment, the location of implementation, the number of jobs created and the name of the Investment Project.

## **6. Agreement Validity and Effectuation**

6.1 This Agreement shall enter into force on the date of its signing by the Executive Local Self-Government Body and the Investor (hereinafter the "Effectuation Date").

6.2 This Agreement shall be valid for a period of five (5) years from the Effectuation Date. Upon the end of this term the Parties, subject to the fulfillment of obligations by the Investor under subparagraphs 1-5 of paragraph 4.2 of this Agreement, will consider, in coordination with the Investment Promotion Authority, a possible extension of the term of this Agreement for each subsequent year, unless any Party notifies in writing the other Party of its intention not to extend the Agreement, at least six (6) months prior to the expiration of the next period of this Agreement.

## 7. Notices

7.1. Notice, approval, consent and other communications made under or in connection with this Agreement (in this Article referred to as "Notice"):

- 1) Notices shall be in writing in the State and official languages;
- 2) Notices shall be delivered personally, by registered mail, with notice or by facsimile transmission, to the number set forth in paragraph 7.2 of this Agreement;
- 3) For the avoidance of any doubt, a notice sent by email shall not be deemed valid.

7.2. As of the Effective Date of this Agreement, each Party shall have the following contact details:

Executive Local Self-Government Body:

Address: [\*]

Fax: [\*]

Attention: [\*]

Investor:

Address: [\*]

Fax: [\*]

Attention: [\*]

7.3 In the absence of proof of earlier receipt, any Notice shall be effective from the time it is deemed received in accordance with paragraph 7.4 of this Agreement.

7.4. Subject to paragraph 7.3, a Notice shall be deemed to have been received:

- 1) in the case of a Notice personally handed from one person to another, to the address of the recipient, upon delivery to such address; or
- 2) in the case of an internationally reputable courier service, when such internationally accepted courier delivery service has delivered such communication or document to the address in question and has received a signature acknowledging receipt; or
- 3) in the case of a facsimile, upon receipt of a printout of the transmission report from the facsimile machine from which the Notice was sent, indicating that the facsimile was sent in its entirety to the recipient's facsimile number.

- 7.5. A Notice received or deemed received pursuant to paragraph 7.4 of this Agreement on a day that is not a business day or after 5:00 p.m. on any business day local time at the place of receipt shall be deemed received on the next business day.
- 7.6. Each Party undertakes to notify the other Party within two weeks by Notice given in accordance with this clause, in the event that the address (or fax) specified in this Agreement is no longer suitable for giving Notice.

## 8. Termination Conditions

8.1. This Agreement may be terminated upon written consent of the Parties.

## 9. Additional Provisions

9.1 Any amendments and/or additions to this Agreement shall be valid and effective only if executed in writing by means of a supplemental Agreement signed by each of the Parties.

9.2 This Agreement is signed in four copies, each in the state, official and English languages. Each Party shall receive three (3) copies of this Agreement. The text in the Russian language shall prevail.

9.3 This Agreement is made on "\_\_ " \_\_20 in \_\_\_\_\_ (human settlement) by the duly authorized representatives of the Parties.

## 10. Signatures of the Parties:

**For and on behalf of the Executive  
Local Self-Government Body:**

\_\_\_\_\_  
(Full name)

\_\_\_\_\_  
(position)

\_\_\_\_\_  
(signature)

Stamp

**For and on behalf of the Investor**

\_\_\_\_\_  
(Full name)

\_\_\_\_\_  
(position)

\_\_\_\_\_  
(signature)

Stamp