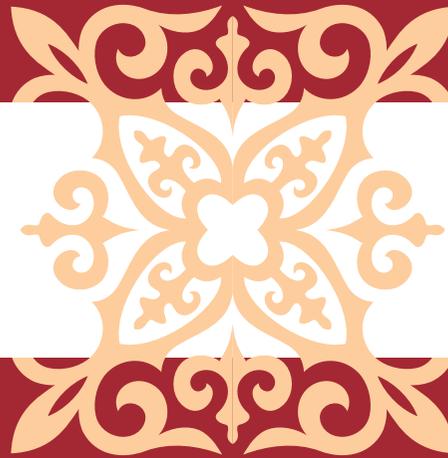


BUSINESS IN THE KYRGYZ REPUBLIC: LEGAL ASPECTS 2021

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FOREWORD

Dear Reader,

This information and reference guide is another regular issue which covers the legal aspects of doing business in Kyrgyzstan. This publication was requested by our customers, whom, having entered the market of this country, frequently faced issues related to starting and running their business in Kyrgyzstan, for instance, investor protection, tax and licensing requirements, and many other regulation areas. This document represents an attempt to answer many of these questions, but, more importantly, it is an attempt to create a useful guide for those who are interested in doing business in Kyrgyzstan.

We have been releasing this guide since 2009 and are proud to remark that over more than 12 years of publications, it has been used not only by our customers but also by the public authorities of the Kyrgyz Republic. All editions are published in the Russian and English languages.¹ This issue was prepared by our entire team of lawyers practicing in various areas of commercial law. We constantly strive to improve our professional skills and explore new ideas for growth and this publication is one example of our endeavours.

We thank our readers and want to emphasize that our joint efforts have originated not only from our eagerness for professional growth, but also from our desire to make this country more open to businesses. We sincerely wish Kyrgyzstan to prosper, and this publication is a modest contribution of our company's professional team towards a better future for Kyrgyzstan.

This publication is also accessible for the worldwide audience on our website: www.k-a.kg.

Yours respectfully,
Kalikova & Associates Team

¹ The English version of the guide is available on our website: <http://www.k-a.kg/eng/business-guide>.

1. KYRGYZSTAN: OVERVIEW

1.1 Geography

The Kyrgyz Republic is located in Central Asia and has an area of 199 thousand square kilometres, or 77,540 square miles.

The Kyrgyz Republic borders Kazakhstan to the north, Uzbekistan to the west and north-west, Tajikistan to the south-west, and China to the south and south-east.²

The landscape includes all natural zones common for the northern hemisphere, except the tropics.

By its administrative and territorial system the Kyrgyz Republic belongs to unitary states and consists of 7 oblasts (regions), (Chui, Issyk-Kul, Talas, Naryn, Jalalabat, Osh and Batken) and 2 cities of national status (Bishkek and Osh). The capital of the Kyrgyz Republic is Bishkek.

1.2 History

The first states appeared within the territory of the present-day Kyrgyz Republic in the 2nd century B.C. The most ancient historical documents on Kyrgyz statehood were written by a well-known Chinese historian and chronicler Sim Xian that dates back to 201 B.C.³

By the late 7th to early 8th century A.D. the Kyrgyz people had become a significant force respected by the powerful nations of Central Asia, and by the fourth decade of the 9th century they founded a vast nomadic empire known as the Kyrgyz Kaganate. The traditional and cultural background of the Kyrgyz people and the ethnonym “Kyrgyz”, which is interpreted by the Kyrgyz people themselves as “forty maidens”, each a traditional ancestress of a family line, support the assumption that the Kyrgyz Kaganate consisted of 40 tribes.

² <http://www.konsul.kg/index.php/ru/about-kyrgyzstan>

³ <https://www.open.kg/about-kyrgyzstan/population/158-naselenie-kyrgyzstana-s-dr-evneyshih-vremen-do-vi-veka.html>

Between 1870 and 1880 the territory of Kyrgyzstan became part of the Russian Empire. In 1918, Kyrgyzstan became part of the Turkestan Autonomous Soviet Socialist Republic of the Russian Soviet Federative Socialist Republic. As a result of the State Division of Soviet Central Asian Republics, in 1924, the Kara Kyrgyz (since 1925 – Kyrgyz) Autonomous Region was established within the Russian Soviet Federative Socialist Republic; in 1926, the territory was transformed into the Kyrgyz Autonomous Soviet Socialist Republic within the Russian Soviet Federative Socialist Republic, and in 1936 – into the Kyrgyz Soviet Socialist Republic within the Union of Soviet Socialist Republics.⁴

In 1991, Kyrgyzstan proclaimed itself an independent and sovereign state known as the Republic of Kyrgyzstan, and since the 5th of May, 1993, it has been officially named as the Kyrgyz Republic.

1.3 Population and Language

At the beginning of 2020 the number of permanent population of the Kyrgyz Republic was 6,523,500 people (men – 49.6%, women – 50.4%)⁵.

There are more than 20 different nationalities in the Kyrgyz Republic.

Statistics show that children and adolescents represent 34.56%, working age population represents 57.37% and above working age population represents 8,06% of the total population⁶.

The national language of the Kyrgyz Republic is Kyrgyz, while the official language is Russian. In the Kyrgyz Republic, official documents of state authorities and local self-government must be adopted in the national language and in cases provided by law, must be translated into the official language and published in two languages.

1.4 National transport system

The relatively small size of the country makes travel within it easy. A

⁴ Kyrgyz Statehood. Century Statistics. Bishkek, 2003.

⁵ The six-millionth resident was born on November 25, 2015.

⁶ <http://www.stat.kg/ru/statistics/naselenie>

flight from the north to the south of the country lasts about one hour. Currently, there are 11 airports in the Kyrgyz Republic, including 5 international.⁷

The total length of roads in the Kyrgyz Republic is 34,000 km, including 18,585 km of general use roads maintained by the structural units of the Kyrgyz Ministry of Transport and Roads and 15,190 km roads of cities, villages, agricultural, industrial and other enterprises.⁸

The Kyrgyz railway network consists of two lines: the northern line (323.4 km) and the southern line (101.2 km) that link Kyrgyzstan with Kazakhstan and Uzbekistan. The construction of the North-South transit railway linking the northern and southern parts of the country is a first priority national project in the Kyrgyz Republic.⁹

Transit choices

Kyrgyzstan has signed air service agreements with 31 countries of the world.¹⁰

Roads link Kyrgyzstan with all neighbouring countries (Uzbekistan, Tajikistan, Kazakhstan, and China). The Kyrgyz Republic has signed bilateral agreements on international road transport with 19 states, including all CIS countries, Germany, Georgia, Iran, China, Latvia, Mongolia, Pakistan, Poland, Turkmenistan, Turkey and Ukraine.¹¹

The railway network links Kyrgyzstan with Uzbekistan and Kazakhstan.

⁷ The Government Program on Civil Aviation Development of the Kyrgyz Republic for 2016-2020, approved by the Government Resolution No. 131 of March 17, 2016; <http://www.airport.kg/about/airports>

⁸ The Government Resolution No. 372, July 1, 2016, approving the Main Guidelines for Development of Road Industry 2016-2025.

⁹ The Government Resolution No. 558 of September 30, 2014, approving the Main Guidelines for Development of Railway Transport of Kyrgyz Republic 2014-2020.

¹⁰ <http://caa.kg/ru/deyatelnost/mejdunarodnaya-deyatelnost/>

¹¹ <http://mtd.gov.kg/v-sootvetstvii-s-mezhpravitelstvennymi-soglasheniyami-podpisannymi-pravitelstvom-kr-ministerstvo-osushchestvlyayet-obmen-blankami-razreshenij-na-osushchestvlenie-mezhdunarodnyh-perevozok-avtomobilnym-tra/>

At present, negotiations are underway on the project for construction of the China - Kyrgyzstan - Uzbekistan railway line.¹²

Mail and Cargo Delivery

Both state-owned and private providers of mail and cargo delivery services are active in the market of the Kyrgyz Republic. Thus, Kyrgyz Pochtasy (Kyrgyz Post) state enterprise provides services of regular and express mail, including delivery of parcels and packages by land and by air, international express mail services, and services of postal money orders within the country and around the world. Representation offices and licensees of international companies DHL, FedEx, UPS, TNT Express, UPS, and local companies.

1.5 Network

The Internet

There are a broad variety of options for Internet access; they range from dial-up to wired broadband and Wi-Fi access and satellite-based Internet. Leading service providers include ElCat, AsialInfo, Kyrgyztelecom, Aknet, Saima Telecom, Alfa Telecom, IPNET, Mega-Line, Sky Mobile, and a number of others.

Mobile Telecom Services

At the moment, mobile services in the local market are provided by:

- GSM, WCDMA/UMTS, LTE standards mobile services network operated under Beeline brands;
- GSM, WCDMA/UMTS, LTE standard mobile services network operated under MegaCom brand;
- GSM, WCDMA/UMTS, LTE standard mobile services network operated under O! brand.

Since August 15, 2019, the mobile virtual network operator KT Mobile

¹² <http://www.kjd.kg/ru/investment-projects/marshrut-kitai-kyrgyzstan-uz/>

has started operating under Salam brand.¹³ This is the project of state network operators Kyrgyztelecom and Alfa Telecom (MegaCom brand).

1.6 Political System

The political system of the Kyrgyz Republic is defined in the Constitution¹⁴. According to separation of powers principle set forth in the Constitution, the state power of the Kyrgyz Republic is represented by legislative, executive, and judicial branches cooperating under the rule of the President of the Kyrgyz Republic.

- The President is the head of state and the top official of the Kyrgyz Republic elected for a period of 6 years.
- The Jogorku Kenesh – Parliament of the Kyrgyz Republic – is a representative body in charge of legislature. The Jogorku Kenesh of the Kyrgyz Republic consists of 120 Parliamentarians elected for the term of 5 years on a proportional basis.
- The executive power of the Kyrgyz Republic is represented by the Government of the Kyrgyz Republic, line ministries, state committees, other executive authorities and bodies of local state administration subordinate to the Government.
- In the Kyrgyz Republic judicial power may only be administered by the courts. In the cases and pursuant to the procedure provided by law, all citizens of the Kyrgyz Republic have the right to participate in the implementation of justice.

1.7 Judicial System

The judicial system of the Kyrgyz Republic is represented by the Supreme Court of the Kyrgyz Republic, and local courts. The Constitutional Chamber operates within the Supreme Court of the Kyrgyz Republic. Judicial power is executed through constitutional, civil, criminal, administrative, and other forms of proceeding.

¹³ <http://salam.online/index.html>.

¹⁴ Constitution of the Kyrgyz Republic adopted on June 27, 2010 as amended by the Law of the KR of December 28, 2016 No. 218.

It should also be noted that in the Kyrgyz Republic there exist courts of arbitration courts which resolve civil disputes out of court. However, there is no separate law on international commercial arbitration. An award is enforceable under a write of execution issued by the state court. In addition, the state court may order provisional measures in the legal cases reviewed by the permanent court of arbitration.

General jurisdiction courts have the following system:

- Courts of primary jurisdiction are district level courts, , district courts of Bishkek city, and administrative courts. All of them consider and resolve the disputes falling within their jurisdiction on their merits.
- Courts of appellate jurisdiction are region (Oblast) level courts, Bishkek City court and the Court Martial of the Kyrgyz Republic. Each of these courts consists of three judicial divisions: division for criminal cases and misdemeanour cases , division for civil and commercial cases, and division for administrative cases. Judicial divisions of appellate jurisdiction courts revise judicial acts that have not come into legal force.
- The cassational level – the Supreme Court of the Kyrgyz Republic, consisting of the Plenary Assembly and 3 respective divisions within which, benches of 3 judges are formed to consider cases at law. The Supreme Court review decisions of courts that have come into legal force by virtue of having cassational jurisdiction. It should be noted that decisions of courts of primary jurisdiction that have come into legal force but have not been appealed to the court of appellate jurisdiction may not be revised by virtue of having cassational jurisdiction.

Constitutional surveillance is carried out by the Constitutional Chamber of the Supreme Court of the Kyrgyz Republic.

Litigation in Kyrgyz Republic: Some Specific Features

Civil and administrative litigation in the Kyrgyz Republic has some specific features that should be taken into account. In particular:

- the filing fee is payable in advance at the time of filing the claim;
- claims for damages must be expressed in local currency, even if a dispute arises from an international economic transaction and the transaction currency is specified in the contract;
- in civil litigation, an interim relief order can be issued by a court only after acceptance of the claim which may be appealed to a court of higher jurisdiction;
- an attorney cannot independently obtain information concerning the defendant's assets (cash in bank, real estate, shares). Such information can be obtained on the basis of subpoena issued by the court at the attorney's request;
- lawsuits can be dragged out by using bad-faith litigation tactics such as appealing certain decisions of the court on procedural grounds.

Arbitration: Some Specific Features

The national arbitration legislation is based on the UNCITRAL Model Law on International Commercial Arbitration. International commercial arbitration is not separately regulated in the Kyrgyz Republic but is governed by the Arbitral Tribunals Act of the Kyrgyz Republic.

The International Court of Arbitration of the Kyrgyz Chamber of Commerce and Industry is one of the permanent arbitral tribunals in the country.¹⁵

Arbitration proceedings in the Kyrgyz Republic also have some specific features, for example:

- the state court may not reverse an arbitral award, but may refuse to enforce it. This means that the respondent and/or the debtor is deprived of the active right to defend its interests at the place of arbitration, as it has to wait until the claimant and/or creditor applies to the state court for enforcement of the award where it may present its arguments;
- the state court may communicate with the arbitral tribunal to enforce

¹⁵ <http://www.arbitr.kg/web/index.php>

- awards and interim relief orders, but not to enforce subpoenas;
- there is a growing tendency among the courts to apply a broad interpretation of non-arbitrability of disputes. However, there is no track record of the Supreme Court decisions on this matter.

Since 2018, after the introduction of the Mediation Law of the Kyrgyz Republic¹⁶, mediation has become one more available alternative dispute resolution method. Mediation can be used to resolve disputes arising in the area of civil, family and employment law, and also criminal law, where it is specifically provided by the law. As a result of mediation, the parties can sign a mediation agreement setting out the terms and conditions of the mediation process, as well as the consequences of a default on performance or improper performance of the agreement by the parties.

Enforcement of Judgment

Under the legislation of the Kyrgyz Republic¹⁷, executory deeds must be transferred to enforcement officers for execution. Writs of execution include the following:

- Writs of execution to enforce judgments, including property seizure orders;
- Court orders;
- Interim orders, interim relief, injunction;
- Notarized alimony agreements;
- Notarial executory deeds;
- Orders issued by public authorities, local self-governments or officials authorized to review violations;
- Certificates issued by employment dispute commissions and trade unions;

¹⁶ The Law of the Kyrgyz Republic "On Mediation" dated July 28, 2017 No. 161

¹⁷ The Law of the Kyrgyz Republic "On enforcement proceedings and the status of enforcement officers in the Kyrgyz Republic" dated January 28, 2017 No. 15 (with the latest amendments as of August 17, 2020).

- Requests for execution, for payment of the settlement amount, the fee for the enforcement officer's services and related expenses;
- Order issued by other public authorities, local self-governments and officials in cases provided by law.

In the Kyrgyz Republic, the judicial system includes the Judicial Department of the Kyrgyz Republic, which is the agency tasked to provide material, technical and methodological support to local courts. It also ensures the enforcement of judgments that have come into force and other acts provided by law and to carry out other activities aimed to create favourable conditions for the full and independent administration of justice.

The Kyrgyz Republic is a party to a number of international treaties under which an interested party may address a claim to a court of the Kyrgyz Republic on recognition and enforcement of a decision issued by a court or arbitration court of another country. The principal treaties are:

- UN Convention on Recognition and Enforcement of Foreign Arbitral Awards of 10th June 1958, joined by the Kyrgyz Republic in 1995;
- Convention on Legal Support and Legal Relations between the CIS Countries on Civil, Matrimonial, and Criminal cases of 22nd January 1993, ratified by the Kyrgyz Republic in 1995. In 2004, the Kyrgyz Republic also ratified the Convention on Legal Support and Legal Relations on Civil, Matrimonial and Criminal Cases of 7th October 2002¹⁸;
- A number of bilateral agreements on mutual legal support with Azerbaijan, Iran, India, China, Latvia, Mongolia, Russia, Turkey, Kazakhstan, Uzbekistan, and other nations.

¹⁸ The 2002 Convention has superseded the 1993 Convention. However, the 1993 Convention continues to apply to the relations between the Kyrgyz Republic and a member state to this Convention, if the 2002 Convention has not entered into force with respect to the latter.

1.8 Economy

The Kyrgyz Republic is rich in natural resources, has a high level of public education, enjoys a geographically favourable location, and is characterized by a mild climate. The country has a vast potential for the development of industrial production, hydro power sector, agriculture, and tourism.

The Kyrgyz Republic promotes a convergent system of economy based upon such key principles as free entrepreneurship, a free pricing system, free competition, and state regulation.

Development of the industrial sector is represented primarily by electricity production, the non-ferrous metal industry, and food processing. Achievements of the agricultural sector have become possible primarily due to the efforts of peasant farms.

The Kyrgyz Republic ranks 81st out of 180 countries in the 2020 Index of Economic Freedom released by the Heritage Foundation in conjunction with the Wall Street Journal. The Kyrgyz Republic is ranked 16th among 42 countries in the Asia-Pacific region, and its overall score is above the regional and world averages.¹⁹

The Kyrgyz Republic ranks 80th in the World Bank's annual Ease of Doing Business Index 2020 rankings.²⁰

Key Macroeconomic Indicators²¹

According to preliminary estimates as of January 2021, in 2020, nominal GDP reached KGS 598.3 billion, and the drop in GDP was 8.6% or 0.7% compared to 2019.

The main reason for such drop is general decline in economic activity of business entities due to the continuing spread of the coronavirus

¹⁹ <https://www.heritage.org/index/country/kyrgyzrepublic>

²⁰ <http://www.doingbusiness.org/data/exploreeconomies/kyrgyz-republic>

²¹ http://www.minfin.kg/index.php?option=com_content&view=article&id=1697:-----2012-&catid=56:2010-10-05-10-28-02&Itemid=126

infection and the effects of the socio-political events in early October 2020. Production growth rates across economic sectors are distributed as follows: agricultural production increased by 1.1%; industrial production decreased by 7.5%, construction output decreased by 15.9% and service sector productivity decreased by 10.0%.

At year-end 2020, gross agriculture output amounted to KGS 247.3 billion, industrial production amounted to KGS 319.4 billion.

The construction industry saw a decrease in capital investment, both domestic (by 18.9%) and foreign (by 38.8%). At year-end 2020, most of investment (more than 81%) was made in the mining, electricity, gas, steam and conditioned air supply, transportation, wholesale/retail trade, and residential construction.

The external trade turnover of the Kyrgyz Republic for January-November 2020 amounted to USD 5,100.9 million dropping by 19.2% compared to the same period in 2019.²²

1.9 Foreign Affairs

Diplomatic Relations with Foreign Nations

Since gaining independence in 1991, the Kyrgyz Republic has established diplomatic relations with 163 countries.

The list of the countries with which the Kyrgyz Republic has diplomatic relations includes: Afghanistan, Albania, Algeria, Andorra, Argentina, Armenia, Australia, Austria, Azerbaijan, Bangladesh, Bahrain, Belarus, Belgium, Benin, Bosnia and Herzegovina, Brazil, Brunei, Bulgaria, Burundi, Cambodia, Canada, the Central African Republic, Chad, Chile, China, Columbia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, the Czech Republic, the Commonwealth of Dominica, Denmark, Djibouti, the Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Finland, Fiji, France, Gambia, Germany, Georgia, Ghana, Greece,

²² <http://www.minfin.kg/ru/novosti/novosti/itogi-sotsialno-ekonomicheskogo-razvitiya-kyrgyzsk6225>

Guatemala, Guinea, Guyana, Hungary, India, Indonesia, Iraq, Iran, Ireland, Island, Israel, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, the Korean People's Democratic Republic, the Republic of Korea, Kuwait, Laos, Latvia, Lebanon, Lesotho, Liberia, Libya, Lichtenstein, Lithuania, Luxemburg, Macedonia, Madagascar, Malaysia, Maldives, Mali, Malta, Marshall Islands, Mauritania, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Myanmar, Namibia, Nepal, the Netherlands, New Zealand, Nicaragua, Norway, Oman, Palestine, Paraguay, Pakistan, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Seychelles, Sierra Leone, Singapore, Slovakia, Slovenia, the Solomon Islands, the South African Republic, Spain, Sri Lanka, Sudan, Surinam, Sweden, Switzerland, Syria, Tajikistan, Thailand, the Togolese Republic, Tunisia, Turkey, Turkmenistan, Tuvalu, Uganda, Ukraine, the United Kingdom of Great Britain and Northern Ireland, the United States of America, the United Arab Emirates, Uruguay, Uzbekistan, Vatican, Vietnam, Yemen, Yugoslavia, Zambia.²³

The Kyrgyz Republic has set up embassies in the following countries:

- Russian Federation (also covering Georgia, the Republic of Armenia, the Republic of Finland);
- Ukraine (also covering the Republic of Moldova, Romania);
- Republic of Belarus (also covering the Republic of Poland, the Republic of Latvia, the Republic of Lithuania);
- Turkmenistan;
- Republic of Tajikistan;
- Republic of Uzbekistan;
- Republic of Kazakhstan;
- Islamic Republic of Iran;
- People's Republic of China (also covering the People's Republic of Mongolia);

²³ <https://mfa.gov.kg/ru/osnovnoe-menyu/vneshnyaya-politika/mezhdunarodnye-dogovory/spisok-stran-s-kotorymi-ustanovleny-dipotnosheniya/spisok-stran-s-kotorymi-kr-ustanovil-diplomaticheskie-otnosheniya>

- Kingdom of Saudi Arabia (also covering the Arab Republic of Egypt);
- Republic of India (also covering the Democratic Socialist Republic of Sri Lanka, the Kingdom of Nepal, and the People's Republic of Bangladesh);
- United Kingdom of Great Britain and Northern Ireland;
- Malaysia (also covering Singapore, the Republic of Indonesia, the Kingdom of Thailand, the Republic of Philippines);
- Japan;
- United States of America (also covering Canada);
- Swiss Confederation (also covering the Principality of Liechtenstein, the Republic of Italy);
- Kingdom of Belgium (also covering the Kingdom of Netherlands, the Grand Duchy of Luxembourg, the Republic of France);
- Austrian Republic (also covering the Republic of Hungary, the Republic of Slovakia, the Czech Republic, the State of Israel);
- Federal Republic of Germany (also covering the Holy See (Vatican), the Kingdom of Sweden, the Kingdom of Denmark, the Kingdom of Norway);
- Turkish Republic (also covering the Republic of Macedonia);
- Islamic Republic of Pakistan;
- Republic of Korea;
- Republic of Azerbaijan;
- Islamic Republic of Afghanistan;
- State of Kuwait;
- State of Qatar;
- United Arab Emirates.

The Kyrgyz Republic maintains honorary consulates in various foreign states and consulates in the following cities:

- A general consulate in Yekaterinburg, the Russian Federation;
- A vice consular office in Novosibirsk, the Russian Federation;

- A general consulate in Almaty, the Republic of Kazakhstan;
- A general consulate in Istanbul, the Republic of Turkey;
- A general consulate in Dubai, the United Arab Emirates;
- A general consulate in Guangzhou, the People's Republic of China;
- A consular agency in Frankfurt am Main, the Federal Republic of Germany;
- A visa office in Urumqi, the People's Republic of China.

In addition, the Kyrgyz Republic maintains the following permanent missions to international organizations:

- The permanent mission to the United Nations and other international organizations in New York City, USA;
- The permanent mission to the United Nations and other international organizations in Geneva, Switzerland;
- The permanent mission to the Organization for Security and Cooperation in Europe and other international organizations in Vienna, Austria.

Participation of the Kyrgyz Republic in International and Regional Organizations

Currently, the Kyrgyz Republic is a member of 80 international and regional organizations, including:²⁴

- cooperation organizations: the United Nations Organization (UN), the Organization for Security and Cooperation in Europe (OSCE), the Economic Cooperation Organization (ECO), the Organization of Islamic Cooperation (OIC), the Collective Security Treaty Organization (CSTO), the Commonwealth of Independent States (CIS), the Eurasian Economic Cooperation (EAEC), the Shanghai Cooperation Organization (SCO);
- financial institutions: the International Monetary Fund (IMF), 24 Resolution of the Government of the Kyrgyz Republic "On improving the efficiency of cooperation between the Kyrgyz Republic and international organizations, integration associations and treaty bodies" dated December 2, 2015 No. 817.

- the Asian Development Bank (ADB), the International Bank for Reconstruction and Development (IBRD, the World Bank Group), the International Development Association (IDA, the World Bank Group), the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IDB), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA);
- trade organizations: the World Trade Organization (WTO), International Islamic Trade Finance Corporation (ITFC), the Economic Cooperation Organization Trade and Development Bank, World Customs Organization;
 - food and agriculture organizations: the UN Food and Agriculture Organization (FAO), the International Commission on Irrigation and Drainage (ICID), the International Commission for Water Coordination (ICWC), the Secretariat of the UN Convention to Combat Desertification (UNCCD), the World Organization for Animal Health the CIS Intergovernmental Council for Veterinary Cooperation, and the European and Mediterranean Quarantine and Plant Protection Organization (EPPO);
 - transport and communications organizations: the International Telecommunication Union (ITU), the Universal Postal Union (UPU), the International Civil Aviation Organization (ICAO), Interstate Aviation Committee (IAC), the Transport Coordination Meeting, the Organization for Cooperation of Railways (OSJD), the Regional Commonwealth in the field of Communications (RCC);
 - labour, social security and migration organizations: the International Labour Organization, the International Social Security Association, the International Association of Pension and Social Funds, and the International Organization for Migration;
 - health care organizations: the International Health Organization, the International Committee of the Red Cross, and the National Red Crescent Society;
 - patent organizations: the World Intellectual Property Organization

(WIPO), the Eurasian Patent Organization, the Interstate Council for Legal Protection of Intellectual Property;

- energy organizations: the Energy Charter Secretariat (ECS), the International Atomic Energy Agency (IAEA);
- environmental and biological safety organizations: the Secretariat of the United Nations Framework Convention on Climate Change and the Kyoto Protocol to the UN Framework Convention on Climate Change, the UN/ECE Convention on Environmental Impact Assessment in a Trans-boundary Context, the Secretariat of the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal, the Secretariat of the Stockholm Convention on Persistent Organic Pollutants, the Secretariat of the UN EEC Convention on Long-range Trans-boundary Air Pollution, the Vienna Convention for the Protection of the Ozone Layer, the UN Convention on Biological Diversity, the UN Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Green Climate Fund (GCF), the Climate Change Adaptation Fund (Adaptation Fund), the Global Environment Facility (GEF);
- natural disaster prevention organizations: the World Meteorological Organization (WMO), the Asian Disaster Reduction Centre (ADRC), the CIS International Council for Natural and Man-made Disasters, and the CIS International Council for Hydrometeorology;
- standards organizations: the CIS Interstate Council for Standardization, Metrology and Certification, the Interstate Scientific and Technical Commission for Standardization, Technical Regulation and Conformity Assessment of Construction Products, the International Organization for Standardization (ISO), the European Committee for Standardization.

The Economic Cooperation Organization (ECO) – since November 1992

The key goal of the ECO as an inter-governmental regional institution is to identify the common interests of its member countries in various

areas of economic cooperation, to assure their integrated coordination, to make decisions and bring them to the stage of execution.

The Commonwealth of Independent States (CIS) – since March 1992

At present, the CIS, being one of the traditional forms of multilateral cooperation between post-Soviet nations, supports the maintenance of previously established relations in the post-Soviet period, and continues to play a stabilizing role resolving problems in various fields of cooperation among the CIS countries.

The Kyrgyz Republic is genuinely interested in international cooperation. Furthermore it actively participates in the structures of the CIS and within its framework, contributes to the further development of commercial and economic relations between the member countries.

The Organization of Islamic Cooperation (formerly, the Islamic Conference) (OIC) – since December 1992

One of the areas of the OIC's activities since the disintegration of the Soviet Union is the resolution of economic problems in Islamic countries through the program developed by the OIC to establish a common market of Islamic countries based on the example of the European Economic Union.

The Eurasian Economic Union (EAEU) – August 2015

The Eurasian Economic Union is a regional economic integration organization possessing international legal personality and established by the Eurasian Economic Union Treaty. The EAEU guarantees the free movement of goods, services, capitals and labour, and the pursuit of coordinated, concerted and common policies in the economic sectors. The EAEU member states are: the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation. The EAEU was established with an aim to ensure overall modernization, cooperation and enhanced competitiveness of

national economies and favourable conditions for stable development and raising of the living standards of the peoples of the member states.

The Shanghai Cooperation Organization (SCO) – since June 2001

The principal goals and objectives of the SCO are: to strengthen mutual trust, friendship and neighbourliness between the member countries; to develop multi-industry cooperation for the purpose of supporting and strengthening peace, security and stability in the region; to jointly combat any exhibitions of terrorism, separatism and extremism; to combat illegal drug and arms traffic, other types of transnational criminal practices, and illegal migration; to encourage effective regional cooperation in the areas of common interest; to support integrated and balanced economic growth, social and cultural development of the region by joint actions taken on the basis of equal partnership with the purpose of continuous increase in living standards and conditions for the population in the member countries; to coordinate approaches towards integration into the global economy; to help assure fundamental human rights and freedoms in accordance with international obligations of the member countries and their national legislation; to support and develop relations with other countries and international organizations; to take joint action in the prevention of international conflicts and their peaceful reconciliation; and to jointly search for solutions to problems that may arise in the 21st century.

2. INVESTMENT CLIMATE

2.1 Legal Framework for Investment Activities

Since investments are a major prerequisite for economic development in the Kyrgyz Republic, investment legislation of the country is quite liberal.

The basic law and paramount law of the Kyrgyz Republic is the Constitution which recognizes the principle of diversity and equal legal protection of ownership types and guarantees protection against arbitrary deprivation of property without the consent of the owner.

The Constitution is the basis for enacting other laws, including the laws directly or indirectly regulating investment in the Kyrgyz Republic such as the “Law on Licensing and Permitting System in the Kyrgyz Republic”, the “Law on Joint-Stock Companies”, the “Law on Mining”, the “Law on Free Economic Zones in the Kyrgyz Republic”, the Law on Customs Regulation, the Tax Code, the Land Code, the Civil Code, the “Law on Public-Private Partnership in the Kyrgyz Republic” and many others.

There is a special law enacted in the Kyrgyz Republic to regulate investment activities: the Investment Law of the Kyrgyz Republic.

Thus, under the legislation of the Kyrgyz Republic,²⁵ foreign investors enjoy the national treatment applied to individuals and legal entities of this country. Legislation provides for a broad scope of rights and guarantees to foreign investors, including guarantees of export and repatriation of investment, property, and information out of the Kyrgyz Republic, guarantees of protection against investment expropriation and coverage of losses incurred by investors, guarantees of income use and freedom of monetary transactions, and others.

The Kyrgyz Republic has entered into a number of bilateral treaties on mutual support, encouragement and protection of investment (capital

²⁵ The Law of the Kyrgyz Republic “On Investments in the Kyrgyz Republic” dated March 27, 2003 No. 66 (with the latest amendments as of December 26, 2020).

expenditure). Such treaties have been signed with a number of countries such as²⁶:

- The People’s Republic of China (1995);
- The Republic of Turkey (1996)²⁷;
- The Republic of Turkey (signed in 2018)²⁸;
- The Republic of Ukraine (treaty signed in 1993);
- The United States of America (1994)²⁹;
- The Republic of Armenia (1995);
- The United Kingdom of Great Britain and Northern Ireland (1998)³⁰;
- The Republic of France (1997);
- The Islamic Republic of Iran (2005);
- The Republic of Azerbaijan (1997);
- The Federal Republic of Germany (2006);
- The Republic of Georgia (first BIT signed in 1997, second BIT signed in 2016)³¹;
- The Republic of India (2000)³²;
- The Republic of Kazakhstan (BIT signed in 1997)³³;
- The Republic of Belarus (2001);
- The People’s Republic of Mongolia (treaty signed in 1999)³⁴;
- The Swiss Confederation (2003)³⁵;

²⁶ In parentheses are the years on which the respective treaties came into effect in the Kyrgyz Republic, unless stated otherwise.

²⁷ Ratified by the Parliament Legislative Assembly Resolution, August 18, 1995 Z No. 178-1 and the Parliament People’s Representative Assembly Resolution of September 28, 1995 P No. 167-1.

²⁸ Not ratified yet.

²⁹ Ratified by the Parliament Resolution, December 11, 1993 No. 1291-XII.

³⁰ Ratified by the KR Law, January 6, 1997 No. 5

³¹ Ratified by the KR Law, July 20, 2017 No. 134.

³² Ratified by the KR Law, April 10, 1998 No. 42.

³³ Ratified by the KR Law, August 17, 2004 No. 151.

³⁴ Ratified by the KR Law, July 10, 2001 No. 66.

³⁵ Ratified by the KR Law, January 15, 2003, No. 26.

- The Republic of Tajikistan (2001)³⁶;
- The Kingdom of Sweden (2003);
- The Republic of Moldova (2004)³⁷;
- The Republic of Finland (2004)³⁸;
- The Republic of Korea (2008)³⁹;
- The Republic of Latvia (signed in 2008)⁴⁰;
- The Republic of Lithuania (2009)⁴¹;
- Denmark (signed in 2001);
- Malaysia (signed in 1995);
- The Islamic Republic of Pakistan (signed in 1996)⁴²;
- The Republic of Indonesia (1997);
- The Republic of Uzbekistan (signed in 1997);
- The United Arab Emirates (signed in 2014)⁴³;
- State of Qatar (signed in 2014)⁴⁴;
- State of Kuwait (signed in 2015)⁴⁵;
- The Republic of Austria (signed in 2016)⁴⁶.

The Ministry of Economy of the Kyrgyz Republic is the central executive authority in charge of developing and pursuing the state investment policy.

The Investment Promotion and Protection Agency of the Kyrgyz Republic under the Prime Minister's Office is the public authority in charge of

36 Ratified by the KR Law, November 20, 2001 No. 95.

37 Ratified by the KR Law, December 30, 2003 No. 251.

38 Ratified by the KR Law, August 17, 2004 No. 154.

39 Ratified by the KR Law, June 23, 2008 No. 120.

40 Ratified by the KR Law, March 4, 2009 No. 74.

41 Ratified by the KR Law, February 6, 2009, No. 38.

42 Ratified by the KR Law, May 23, 2002, No. 83.

43 Ratified by the KR Law, May 28, 2015, No. 119.

44 Ratified by the KR Law, May 28, 2015, No. 117.

45 Ratified by the KR Law, July 21, 2016, No. 127.

46 Ratified by the KR Law, January 25, 2017, No. 11.

pursuing the state policy in the field of investment and export.⁴⁷

2.2 State Guarantees to Foreign Investors

Subject to its legislation,⁴⁸ the Kyrgyz Republic provides the following guarantees to foreign investors:

- National treatment of business activities, equal investment rights of domestic and foreign investors, no intervention into the business activities of investors, protection and restitution of infringed rights of investors in accordance with the legislation of the Kyrgyz Republic;
- Export or repatriation of profit gained on investment, proceeds of investment activities in the Kyrgyz Republic, property, and information, out of the Kyrgyz Republic;
- Protection against expropriation (nationalization, requisition, or other equivalent measures, including action or omission on the part of authorized government bodies of the Kyrgyz Republic that has resulted in seizure of investor's funds or investor's deprivation of the possibility to use the results of their investment). In exceptional cases involving public interest, investments may be expropriated with concurrent state guarantees of appropriate coverage of damage incurred by the investor;
- The investor's right to freely use the income derived from their activities in the Kyrgyz Republic;
- The freedom to invest in any form into objects and activities not prohibited by the legislation of the Kyrgyz Republic, including the activities subject to licensing;
- Freedom of monetary transactions (free conversion of currency, unbound and unrestricted money transfers; should provisions restricting money transfers in foreign currency be introduced into the legislation of the Kyrgyz Republic, these provisions will not apply

47 Regulation on the Investment Promotion and Protection Agency of the Kyrgyz Republic, approved by the Government Resolution No. 736 of November 13, 2017.

48 Chapter 2 of the Law of the Kyrgyz Republic: "On Investments in the Kyrgyz Republic" dated March 27, 2003 No.66 (with the latest amendments as of December 26, 2010).

to foreign investors, with the exception of cases where investors engage in illegitimate activities (such as money laundering);

- Free access to open-source information;
- The right to: establish legal entities of any organizational and legal form provided by the legislation of the Kyrgyz Republic; open branches and representative offices within the territory of the Kyrgyz Republic; select any organizational and managerial structure for the business entities, unless a different structure is explicitly required by law for the given organizational and legal form of a business entity; acquire property (with the exception of land plots), shares, other securities, including governmental securities; participate in privatization of state property, establish associations and other unions; hire local and foreign employees subject to legislation of the Kyrgyz Republic; and engage in other investment activities not prohibited by legislation in the Kyrgyz Republic
- Recognition by public authorities and officials of the Kyrgyz Republic of all intellectual property rights of foreign investors;
- In the event of amendments to the Law of the KR on Investments, or the tax legislation of the Kyrgyz Republic or the nontax payments legislation, the investor and the investee who meet the statutory requirements have the right, during 10 years from the date of signing the stabilization agreement, to choose such conditions as may be most favourable to them for paying taxes including value added tax but excluding other indirect taxes, and nontax payments (except fees and charges for public services) in the manner provided by the laws of the Kyrgyz Republic. The procedure and conditions for applying stabilization regime to tax and nontax legal relationships are established by the laws of the Kyrgyz Republic;
- Other guarantees specifically provided in bilateral and multilateral international treaties on the promotion and protection of investment, to which the Kyrgyz Republic is a party.

2.3 Investment Agreement with the Government of the Kyrgyz Republic

The Government of the Kyrgyz Republic may execute investment agreements for implementing investment projects initiated by the investor in accordance with state development programs in high priority economic and social sectors. Such investment agreements may be executed through direct negotiations between the Government of the Kyrgyz Republic and the investor, provided that the amount of investment made by the investor in the investment project is not less than USD 10 million and the investor has internationally recognized business reputation, unique knowledge and experience in successfully implementing the projects in the similar area of practice⁴⁹.

An investment agreement concluded between the Government of the Kyrgyz Republic and an investor cannot provide reliefs and preferences that are not prescribed by the laws of the Kyrgyz Republic.

2.4 Settlement of Investment Disputes

Under the legislation of the Kyrgyz Republic,⁵⁰ investment dispute parties may agree on any applicable procedure for settlement of investment disputes.

Failing such an agreement, an investment dispute between the Kyrgyz authorities and an investor shall be settled wherever possible by consultations between the parties. If the parties do not settle amicably within 3 months from the day of the first written request for such consultation, any investment dispute between the investor and the Kyrgyz authorities shall be settled in the Kyrgyz courts, unless either party to the dispute between the foreign investor and the authority

⁴⁹ Article 11-1 of the Law of the Kyrgyz Republic "On Investments in the Kyrgyz Republic" dated March 27, 2003 No.66 (with the latest amendments as of August 6, 2018).

⁵⁰ Article 18 of the Law of the Kyrgyz Republic: "On Investments in the Kyrgyz Republic" dated March 27, 2003 No.66.

requests to consider the dispute in accordance with one of the following procedures by submitting to:

- the International Center for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Investment Disputes between States and Citizens of Other States or under the Rules Governing the Additional Facility for the Administration of Proceedings by the Secretariat of the ICSID; or
- arbitration or an international ad hoc arbitral tribunal (commercial court) formed in accordance with the arbitration rules of the United Nations Commission on International Trade Law.

Some treaties on mutual support, encouragement and protection of investment (capital expenditure), to which the Kyrgyz Republic is a party, contain provisions entitling foreign investors to submit their investment disputes to international arbitral tribunals.

3. LEGAL STATUS OF FOREIGN NATIONALS

3.1 Visa and Registration Requirements

Subject to the legislation of the Kyrgyz Republic,⁵¹ foreign nationals and stateless persons may enter the Kyrgyz Republic for temporary or permanent residence on the basis of a visa, temporary or permanent residence permit.

Visa Requirements and Visa-Free Travel

Initial issuance of all categories of visas is performed by diplomatic missions and consular offices of the Kyrgyz Republic.

Below is a list⁵² of the foreign countries whose nationals are subject to a simplified visa regime. The Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic of March 15, 2017 No. 155 with the latest amendments as of December 31, 2019 provides that nationals of foreign countries included in this list are eligible to obtain Kyrgyz entry and exit visas from diplomatic missions and consular offices of the Kyrgyz Republic abroad or at the visa office of the MoFA at the international checkpoint⁵³, and from consular offices in the Kyrgyz Republic at their personal request for a term of up to 90 days:⁵⁴

Australia, the Republic of Austria, the Kingdom of Belgium, the Republic of Bulgaria, Bosnia and Herzegovina, the United Kingdom of Great

51 The Law of the Kyrgyz Republic "On External Migration" dated July 17, 2000, No.61 (with the latest amendments as of December 26, 2020, No.12).

52 Resolution No. 87 of the Government of the Kyrgyz Republic on Approval of List of Foreign States whose Nationals are Subject to a Simplified Visa Regime dated February 7, 2009 (with the latest amendments as of August 1, 2019 No. 391).

53 Visa point at the international checkpoint is the structural subdivision of the Consular Service Department and provides visa services at international checkpoints of the Kyrgyz Republic.

54 Resolution No. 87 of the Government of the Kyrgyz Republic on Approval of List of Foreign States whose Nationals are Subject to a Simplified Visa Regime dated February 7, 2009 (with the latest amendments as of August 1, 2019 No. 391).

Britain and Northern Ireland, the Republic of Hungary, the Federal Republic of Germany, the Hellenic Republic, the Kingdom of Denmark, the State of Israel, the Republic of Ireland, the Republic of Iceland, the Kingdom of Spain, the Italian Republic, Canada, the Republic of Cyprus, the Republic of Korea, the Republic of Lithuania, the Republic of Latvia, the Principality of Liechtenstein, the Grand Duchy of Luxembourg, the Republic of Macedonia, the Republic of Malta, Monaco, the Netherlands, the Kingdom of Norway, New Zealand, the Republic of Poland, the Portuguese Republic, the Republic of Romania, the Republic of Serbia, the Republic of Slovenia, Singapore, Slovak Republic, the United States of America, the Republic of Turkey, the Republic of Finland, the French Republic, the Republic of Croatia, the Republic of Montenegro, the Czech Republic, the Swiss Confederation, the Kingdom of Sweden, the Republic of Estonia, Andorra, Argentina, Brazil, Vatican City, Vietnam, the Kingdom of Thailand, the Kingdom of Saudi Arabia, Mexico, the United Arab Emirates, San Marino, the Philippines, the Republic of Albania, Brunei Darussalam, the Republic of Indonesia, Republic of South Africa, the Republic of Chile, the Bolivarian the Republic of Venezuela, the State of Qatar, the State of Kuwait, the Sultanate of Oman, the Kingdom of Bahrain, Japan, the Islamic Republic of Iran (*).

* only business or tourist visas

Visa-free travel possibilities are granted on the basis of the legislation of the Kyrgyz Republic⁵⁵ and international treaties to which the Kyrgyz Republic is a party. Nationals of the following countries may enter the Kyrgyz Republic visa-free:

- Visa-free entry for up to 60 days for nationals of: the Commonwealth of Australia, the Republic of Austria, the Kingdom of Belgium, Bosnia and Herzegovina, the Vatican, the United Kingdom of Great Britain and Northern Ireland, Hungary, the Federal Republic of Germany, the Netherlands, the Hellenic Republic, the Kingdom of Denmark,

55 The Law of the Kyrgyz Republic "On Introduction of Visa-free Regime for Citizens of Some States for up to 60 Days" dated July 21, 2012 No. 121 (with the latest amendments as of April 5, 2019).

Iceland, Ireland, the Kingdom of Spain, the Italian Republic, Canada, the Republic of Korea, Kuwait, the Republic of Latvia, the Republic of Lithuania, the Principality of Liechtenstein, the Grand Duchy of Luxembourg, the Republic of Malta, Monaco, New Zealand, Norway, the United Arab Emirates, the Republic of Poland, the Portuguese Republic, the Kingdom of Saudi Arabia, the Republic of Singapore, the Slovak Republic, the Republic of Slovenia, the United States of America, the Republic of Finland, the French Republic, the Republic of Croatia, the Czech Republic, the Swiss Confederation, the Kingdom of Sweden, the Republic of Estonia, the State of Qatar, the State of Brunei Darussalam, the Kingdom of Bahrain, Japan, Montenegro, the Principality of Andorra, the Republic of Argentina, the Federative Republic of Brazil, the Republic of San Marino, the Republic of Chile, the Sultanate of Oman;

- Visa-free entry for holders of all categories of passports of nationals of: the Republic of Armenia⁵⁶, the Republic of Azerbaijan⁵⁷, the Republic of Belarus⁵⁸, the Republic of Cuba⁵⁹, the Republic of Georgia⁶⁰, the Republic of Kazakhstan⁶¹, the Democratic People's Republic of Korea⁶², Malaysia⁶³ (up to 30 days), the Republic of

56 Agreement on visa-free travel for citizens of CIS member countries within their borders, signed in Bishkek on October 9, 1992.

57 Agreement on visa-free travel for citizens of CIS member countries within their borders, signed in Bishkek on October 9, 1992.

58 Agreement on mutual visa exemption among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

59 Agreement on mutual travels of citizens between the Governments of the USSR and the Republic of Cuba of January 10, 1985.

60 Agreement on visa-free travel for citizens of CIS member countries within their borders, signed in Bishkek on October 9, 1992.

61 Agreement on mutual visa exemption among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

62 Agreement on mutual travels of citizens between the Governments of the USSR and the Democratic People's Republic of Korea of January 22, 1986.

63 Agreement on partial visa abolition between the Governments of the Kyrgyz Republic and Malaysia, signed in Kuala Lumpur on July 20, 1995.

Moldova⁶⁴, Mongolia⁶⁵ (up to 90 days), the Russian Federation⁶⁶, the Republic of Tajikistan⁶⁷, the Republic of Ukraine⁶⁸ (up to 90 days), the Republic of Uzbekistan⁶⁹ (up to 60 days), the Turkish Republic⁷⁰ (only for tourist, business and official purposes), Vietnam⁷¹, Lao People's Democratic Republic⁷²;

- Visa-free entry for nationals holding diplomatic and service passports of: the Republic of Hungary⁷³, the Islamic Republic of Pakistan⁷⁴, the Islamic Republic of Iran⁷⁵ (up to 30 days for holders of

64 Agreement on visa-free travel for citizens of CIS member countries within their borders, signed in Bishkek on October 9, 1992.

65 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and Mongolia signed in Bishkek on December 4, 1999.

66 Agreement on mutual visa exemption among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

67 Agreement on mutual visa exemption among the Governments of the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, the Russian Federation and the Republic of Tajikistan signed in Minsk on November 30, 2000.

68 Agreement on mutual travels of citizens between the Government of the Kyrgyz Republic and the Cabinet of Ministers of Ukraine signed in Kiev on February 25, 2004.

69 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and the Republic of Uzbekistan signed in Tashkent on September 3, 2004.

70 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and the Turkish Republic signed in Ankara on April 26, 2011.

71 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and the Socialist Republic of Vietnam signed on July 15, 1981.

72 Agreement on visa-free regime for citizens traveling on business with diplomatic or service passports between the Governments of the USSR and the Lao People's Democratic Republic, signed on December 20, 1984.

73 Agreement on mutual visa exemption for diplomatic and service passport holders between the Governments of the Kyrgyz Republic and the Republic of Hungary signed in Bishkek on November 1, 1997.

74 Agreement on mutual visa exemption for diplomatic and service passport holders between the Governments of the Kyrgyz Republic and the Islamic Republic of Pakistan signed in Bishkek on March 8, 2005.

75 Memorandum of Understanding on mutual visa exemption for service passport holders between the Governments of the Kyrgyz Republic and the Islamic Republic of Iran signed in Teheran on December 21, 2003.

service passports), the People's Republic of China⁷⁶, Turkmenistan⁷⁷, the Slovak Republic (up to 30 days)⁷⁸, the Republic of Uzbekistan (up to 60 days), Singapore, the Republic of Korea (up to 30 days)⁷⁹, the Republic of Indonesia⁸⁰, the Republic of India (up to 90 days)⁸¹, the Republic of Poland (up to 90 days within a period of 180 days), the State of Kuwait (not exceeding 90 days per period of 60 months from the date of the first entry), the State of Qatar (up to 90 days)⁸², the Kingdom of Morocco (up to 90 days within a period of 180 days)⁸³, the Italian Republic (up to 90 days within a period of 180 days)⁸⁴, the French Republic (up to 90 days within a period of 180 days)⁸⁵, the Republic of Estonia (up to 90 days).

76 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and the People's Republic of China signed in Beijing on June 24, 2002.

77 Agreement on mutual travels of citizens between the Governments of the Kyrgyz Republic and Turkmenistan signed in Ashgabat on March 6, 2000.

78 Agreement on mutual visa exemption for diplomatic passport holders between the Governments of the Kyrgyz Republic and the Slovak Republic signed in Bishkek on April 1, 2010.

79 Agreement on mutual visa exemption for diplomatic and service passport holders between the Governments of the Kyrgyz Republic and the Republic of Korea signed in Seoul on November 30, 2010.

80 Agreement on mutual visa exemption for diplomatic and service passport holders between the Governments of the Kyrgyz Republic and the Republic of Indonesia signed in New York on September 23, 2011.

81 Agreement on mutual visa exemption for diplomatic, official and service passport holders between the Governments of the Kyrgyz Republic and the Republic of India signed in Bishkek on July 19, 2013.

82 Agreement on mutual visa exemption for diplomatic and special passport holders between the Governments of the Kyrgyz Republic and the State of Qatar signed in Doha on December 8, 2014.

83 Agreement on mutual visa exemption for diplomatic and service passport holders between the Governments of the Kyrgyz Republic and the Kingdom of Morocco, signed in Rabat on March 30, 2017.

84 Agreement on mutual short-term visa exemption for diplomatic passport holders between the Governments of the Kyrgyz Republic and the Italian Republic signed in Paris on April 15, 2016.

85 Agreement on mutual visa exemption for diplomatic passport holders signed in Bishkek on March 30, 2016.

Visa Categories⁸⁶:

- **Diplomatic visas** (issued to foreign nationals holding diplomatic passports and entering the Kyrgyz Republic for official purposes) – type D;
- **Official visas** (issued to foreign nationals holding service passports and entering the Kyrgyz Republic for official purposes) – type O;
- **Business visas** (issued to foreign nationals entering the Kyrgyz Republic for business purposes) – type B;
- **Investment visas** (issued to investors or heads of foreign investment companies or their family members (spouses, underage children or dependent parents) intending to engage in investment activities in the Kyrgyz Republic and producing all necessary documents confirming the investment of cash or tangible assets equivalent to KGS 10 (ten) million in the industrial or agricultural production, banking, energy, education, healthcare, planning and construction, information and communication technologies)- type I;
- **Tourist visas** (issued to foreign nationals entering the Kyrgyz Republic as tourists) – type TS;
- **Work visas** (Type W1 visa issued to foreign nationals intending to engage in labor or individual entrepreneurial activity in the Kyrgyz Republic and applying for work permits. The work visa allows to stay in the Kyrgyz Republic for up to 60 days without the right to engage in labor or individual entrepreneurial activity. Type W1 visa, issued by the consular department of the Ministry of Foreign Affairs of the Kyrgyz Republic and the plenipotentiary representative office of the MFA in the Kyrgyz Republic to applicants holding work permits and valid for the term of the work permit, but not more than 1 year. Type W2 visa, issued to applicants exempt from work permit requirements under the Kyrgyz external migration law and valid for up to 60 days.

86 Categories and types of visas defined by the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic, approved by the Resolution of the Government of the Kyrgyz Republic of March 15, 2017 No. 155 with the latest amendments as of September 21, 2018.

Type W2 visa, issued by the consular department of the Ministry of Foreign Affairs of the Kyrgyz Republic and the plenipotentiary representative office of the MFA in the Kyrgyz Republic or foreign institutions of the Kyrgyz Republic on the basis of the migration or accreditation agency's certificate (for reporters and correspondents) and valid for not more than 1 year) - type W1 and W2);

- **Study visas** (issued to foreign nationals entering the Kyrgyz Republic for study) – type S;
- **Meiman** (guest) visas (issued to applicants not eligible to engage in labour, business or any other for-profit activity in the Kyrgyz Republic traveling for private purposes, such as visiting friends, receiving medical services, etc.) – type G;
- **Tuugandar** (relatives) visas (issued to applications for the term of up to 1 year for the purposes of visiting close relatives or reuniting with family members. Where necessary, the person recognized as a refugee confirmed by documentary evidence may be issued single entry relatives visa in consultation with the national security authorities) – type RL;
- **Meken** (repatriate) visas (issued to ethnic Kyrgyz and persons born in the Kyrgyz Republic or Kyrgyz SSR for the purposes of visiting or repatriating to the Kyrgyz Republic and valid for the term of up to one year, with the possibility of obtaining Kairylman⁸⁷ (repatriate) status) – type M;
- **Mountain tourism visas** (issued to applicants intending to visit the Kyrgyz Republic for mountain tourism (alpinism, snowboarding, trekking, rafting, mountain biking, heli-skiing, rock climbing, ice climbing, freeriding, skiing and other types of mountain tourism)) – type MT;
- **Religious visas** (issued to foreign nationals entering the Kyrgyz Republic for cooperation with religious organizations with the

⁸⁷ Kairylman means an ethnic Kyrgyz (person of Kyrgyz origin) who is a foreign citizen or stateless person, voluntarily moving to the Kyrgyz Republic and having the repatriate status.

consent of the public authority of the Kyrgyz Republic for religious matters) – type R;

- **Family visas** (issued to family members (spouses, underage children or dependent parents) of foreign nationals holding official (type O), investment (type I), work (types W1 and W2), study (type S) visas, and residence permits or repatriate status) – type F;
- **Transit visas** (issued to foreign nationals transiting through the Kyrgyz Republic to any third countries) – type TR;
- **Driver visas** (issued to foreign nationals entering the Kyrgyz Republic by truck for providing international cargo transportation services) – type T;
- **Exit visas** (issued to applicants for exiting the Kyrgyz Republic for a period of up to 10 days, in cases specified in the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic) – type L.

Visas may be single-entry or multiple. A foreign national receiving a visa shall pay a consular fee in the amount set by the Government of the Kyrgyz Republic.⁸⁸

Since March 15, 2017, it is possible to apply for electronic visa (E-visa)⁸⁹ through the online visa application portal on the official website of the Unified Recordkeeping System for External Migration (URSEM). The special readable code contains information about e-visa, its category, validity and multiplicity, and the applicant who receives an electronic visa, may, where necessary, print it on A-4 white paper sheet. Consular fees for e-visas are to be paid by bank cards.

Upon arrival at the international checkpoint, a holder of an electronic

⁸⁸ Resolution on consular fees and charges for actual expenses No. 839 of the Government of the Kyrgyz Republic dated December 18, 2012.

⁸⁹ An electronic visa is a documentary proof equivalent to visa, issued by the MFA to a foreign national or stateless person online, including through the Internet, having a special machine-readable code, and permitting to enter into, stay in, exit from and transit through the Kyrgyz Republic.

visa must produce a travel document for which the electronic visa was issued to border personnel who check e-visa validity through the URSEM.

Visa processing, issuance and extension period is not more than 7 and not less than 5 working days from the date of receiving duly executed documents. The list of documents required for visas of the Kyrgyz Republic is determined by the Instruction on the procedure for processing and issuing visas of the Kyrgyz Republic.

Residence Permit

A Kyrgyz residence permit is a document allowing foreign nationals and stateless persons to, temporarily or permanently, reside, stay, enter or exit from the Kyrgyz Republic visa free.

Under Kyrgyz legislation⁹⁰, foreign nationals or stateless persons residing in the Kyrgyz Republic for not less than 6 months may file with the local offices of the Department of Registration of Population under the State Registration Service under the Government of the Kyrgyz Republic closest to the place of location an application for residence permit in prescribed form.

A temporary residence permit is issued to foreign nationals or stateless persons in order to:

- work in the Kyrgyz Republic;
- study in an educational institution at the request of this educational institution and the Kyrgyz Ministry of Education and Science;
- pursue investment activities in the Kyrgyz Republic.

A temporary residence permit is issued to foreign nationals and stateless persons for a term of 1 year with the possibility of subsequent extension for not more than 5 years.

⁹⁰ Regulation on procedure for issuing temporary and permanent residence permits to foreign nationals and stateless persons in the Kyrgyz Republic approved by Resolution No. 626 of the Government of the Kyrgyz Republic dated November 13, 2008 (with the latest amendments as of July 15, 2015).

The review period for temporary residence permits is generally not more than 1 month.

Temporary residence permits are issued in the local offices of the Department of Registration of Population and Affidavits of Civil Status under the State Registration Service under the Government of the Kyrgyz Republic.

Permanent residence permits are issued to:

- Those who have duly received a Kyrgyz permanent residence permit, including those who returned to the Kyrgyz Republic, whose Kyrgyz citizenship has been terminated in accordance with law;
- Those who permanently reside in the Kyrgyz Republic but have not received Kyrgyz citizenship or whose Kyrgyz citizenship has been terminated in accordance with law;
- Foreign nationals or stateless persons permanently residing in the Kyrgyz Republic upon the attainment of 18 years of age.

Foreign nationals are issued permanent residence permits for a term of 5 years, but not longer than the foreign passport validity period, and upon the attainment of 45 years of age for the entire validity period of the foreign passport. Stateless persons are issued permanent residence permits for a term of 5 years, and upon the attainment of 45 years of age, for an unlimited term.

The review period for permanent residence permits is 1 year from the date of filing the application.

The permanent residence permits are given out in the Department of Registration of Population and Affidavits of Civil Status under the State Registration Service under the Government of the Kyrgyz Republic.

Upon receipt of the residence permit, foreign nationals or stateless persons must within 5 business days file for registration with the territorial bodies of the Department of Registration of Population and Affidavits of Civil Status under the State Registration Service under

the Government of the Kyrgyz Republic that are closest to the place of temporary or permanent residence.

Registration Procedure

The list of foreign nationals and stateless persons exempt from registration at the place of stay, foreign affairs authority, public registration authority, or hotels and the period of exemption are approved by the Government of the Kyrgyz Republic.⁹¹ Non-exempt foreign nationals and stateless persons⁹² must register within five working days from the moment of crossing the state border of the Kyrgyz Republic for the period and in the manner approved by the Government of the Kyrgyz Republic⁹³. The renewal of registration of non-exempt foreign nationals must be made after the extension of visa. In such case, foreign nationals and stateless persons must apply, within one working day from the date of visa extension, to the competent authority for registration of foreign nationals.

When registering foreign nationals and stateless persons, employees of the competent authority for registration of population must accept documents for assigning a personal identification number to foreign citizens and stateless persons.

To work in the Kyrgyz Republic, foreign nationals or stateless persons must have a work permit. For more details on work permits for foreign nationals refer to Section 10.

⁹¹ Government Resolution approving the procedure for registration of foreign nationals and stateless persons in the Kyrgyz Republic No. 689, December 19, 2016.

⁹² List of exempt foreign nationals and stateless persons and exemption period attached as Annex 1 to the Resolution of the Government of the Kyrgyz Republic «On issues of registration of foreign nationals and stateless persons in the Kyrgyz Republic» dated December 19, 2016 No. 689.

⁹³ Procedure for registration of foreign nationals and stateless persons in the Kyrgyz Republic approved by Government Resolution No. 689, December 19, 2016.

3.2 Basic Rights, Freedoms, and Obligations of Foreign Nationals

Foreign nationals within the territory of the Kyrgyz Republic generally enjoy the same rights and bear the same obligations as the nationals of the Kyrgyz Republic.⁹⁴ Foreign nationals are equal under the law, regardless of sex, race, language, disability, ethnic origin, creed, age, political or other beliefs, education, social origin, property or other status, and other circumstances.

Foreign nationals are entitled to work when it is compatible with the purpose and timeframe of their visit to the Kyrgyz Republic, or when a respective permit has been issued, except for the nationals of the Eurasian Economic Union member states.⁹⁵

Foreign nationals permanently residing in the Kyrgyz Republic are entitled to social services and healthcare, and may join public associations of non-political purposes on the same grounds as nationals of the Kyrgyz Republic unless otherwise provided in charters (bylaws) of such associations.

Foreign nationals have the same right to leisure as citizens of the Kyrgyz Republic, enjoy cultural benefits and have property and personal non-property rights and all other rights equivalent to nationals of the Kyrgyz Republic.

A foreign national can freely move throughout the territory of the Kyrgyz Republic and choose a place of residence in the manner provided by Kyrgyz law. In which case, they are guaranteed inviolability of person and dwelling.

Foreign nationals are required to pay taxes and charges on the same

⁹⁴ The Law of the Kyrgyz Republic “On Legal Status of Foreign Nationals in the Kyrgyz Republic” dated December 14, 1993 No. 1296-XII (with the latest amendments as of July 24, 2020, No.89).

⁹⁵ Treaty on Eurasian Economic Union dated May 29, 2014 (with the latest amendments as of October 1, 2019).

basis as Kyrgyz nationals, unless otherwise provided by Kyrgyz law.

Foreign nationals in the Kyrgyz Republic have the right to refer to court and other government bodies for protection of their personal, property, family and other rights. They enjoy the same litigation rights as Kyrgyz nationals.

Foreign nationals who commit crimes, administrative or other legal offences in the territory of the Kyrgyz Republic are subject to the same liability as Kyrgyz nationals.

A foreign national staying in the Kyrgyz Republic is provided with the opportunity to contact the diplomatic or the consular mission of his own country, or if such is not available, the diplomatic or consular mission of another country authorized to protect the rights and legal interests of nationals of his country of citizenship.

The latest amendments to the Law of the Kyrgyz Republic «On Legal Status of Foreign Nationals in the Kyrgyz Republic» introduced a new concept of «foreign compatriot», which applies to foreign nationals who previously were Kyrgyz nationals and received the status of foreign compatriots.

The status of foreign compatriots can also be assigned to the following persons:

- foreign nationals who are children or grandchildren of a foreign national who previously was a Kyrgyz national, regardless of their initial Kyrgyz nationality;
- foreign nationals who are children or grandchildren of Kyrgyz nationals, regardless of their initial Kyrgyz nationality;
- foreign nationals born in the Kirghiz SSR, as well as their children and grandchildren.

The status of foreign compatriots cannot be assigned to nationals of the states bordering on the Kyrgyz Republic.

Foreign compatriots are entitled to:

- enter, exit, transit, move and stay in the territory of the Kyrgyz Republic without a visa under one of the valid documents, in the presence of the foreign compatriot document;
- permanently reside in the Kyrgyz Republic without a residence permit. A foreign compatriot is equated to a foreign national permanently residing in the Kyrgyz Republic, regardless of the length of stay in the Kyrgyz Republic;
- work in enterprises, institutions and organizations or engage in other employment on the grounds and in the manner prescribed for Kyrgyz nationals without a work visa and work permit issued by the competent authorities;
- pay for commercial health and education services on the same terms as Kyrgyz nationals under the laws of the Kyrgyz Republic.

A foreign compatriot may not hold state and municipal posts of the Kyrgyz Republic.

4. FORMS OF BUSINESS

4.1 Branches and Representative Offices of Foreign Legal Entities

Branches and representative offices of foreign companies are not regarded as organizations of the Kyrgyz Republic. They are not regarded as independent participants of civil turnover and may enter into civil, labor, tax and other legal relations only on behalf of the founding organization. Liability for activities of the branch or representative office is borne by the founding organization. Branches and representative offices are endowed with the property of their founders, and act on the basis of the approved bylaws. The legislation of the Kyrgyz Republic distinguishes between branches and representative offices. The functions of representative offices are limited to representing a foreign legal entity and protecting its interests, performing transactions and other legal actions on behalf of the same. Branches, on the other hand, fulfil all or part of the functions of the foreign founder, including representation. The chiefs of the branch / representative office act under a power of attorney issued by the foreign legal entity.

Under the legislation of the Kyrgyz Republic, branches and representative offices may, on behalf of the founding organization, do the following:

- open bank accounts and execute payments in any currency;
- hire local employees;
- hire foreign employees and obtain relevant work permits for them;
- enter into any contractual relations with local and foreign companies and execute/assume liabilities under any agreements providing for payments in local or foreign currency; and
- acquire movable or immovable property into ownership or for use;
- exercise other rights provided by the legislation of the Kyrgyz Republic.

The legislation of the Kyrgyz Republic provides for a number of

restrictions with respect to branches and representative offices. Thus, a branch or representative office may only exist as long as their parent company exists. Also, a branch and representative office may not obtain the license to engage in certain types of activities or provide certain types of services.

State Registration of Branches and Representative Offices

Branches and representative offices located within the Kyrgyz Republic are subject to mandatory state registration.

State registration of branches and representative offices of foreign legal entities is carried out by the Ministry of Justice of the Kyrgyz Republic or its local offices. For the purposes of state registration of a branch or representative office, an applicant must submit the following documents⁹⁶:

1. The standard application form for registration;
2. The resolution of the authorized body of the legal entity to establish the branch or representative office;
3. A copy of the certificate of state registration (re-registration) of the legal entity (for branches or representative offices established by legal entities registered under the legislation of the Kyrgyz Republic);
4. A legalized/apostilled⁹⁷ excerpt from the trade register or other proof that the foreign legal entity is in good standing under the laws of its country (for branches or representative offices established by foreign legal entities);
5. A copy of passport (or other document deemed to be the proof of

⁹⁶ Article 10 and 15 of the Law of the Kyrgyz Republic “On State Registration of Legal Entities, Branches (Representative Offices)” dated February 20, 2009 No. 57 (with the latest amendments as of December 16, 2016).

⁹⁷ Document legalization is carried out by Kyrgyz consular offices to respective foreign states or, where no such consular offices exist, by the consular service of the MFA of the Kyrgyz Republic upon prior legalization by the accredited diplomatic mission or consular office of the respective foreign state. Under Kyrgyz Law dated November 16, 2009 No.296, the Kyrgyz Republic has acceded to the Hague Convention abolishing the requirement of legalization for foreign public documents, October 5, 1961.

identity under Kyrgyz law) of an individual being the head of the branch or representative office;

6. A power of attorney for a representative to represent a legal entity before the Ministry of Justice of the Kyrgyz Republic and its local offices;
7. A copy of passport (or other identify document recognized by the legislation of the Kyrgyz Republic) of an individual acting as a representative of a legal entity.

For the establishment of a branch or representative office of a foreign or local bank or other financial lending institution, a written consent of the National Bank of the Kyrgyz Republic or its local office is required.

For registration of their branches (representative offices), financial institutions, foreign or international organizations additionally submit the following documents to the registering authority:

- approved bylaws of the branch (representative office) in 2 copies;
- copies of foundation documents of the financial institution, foreign or international organization that made a decision to create a branch (representative office).

Liquidation of Branches and Representative Offices

To liquidate a branch or representative office, the following documents need to be submitted to the registering authority:⁹⁸

- The standard application form for registration;
- The decision of the authorized body of a legal entity or court to liquidate the branch or representative office;
- The certificate of state registration (re-registration) of the branch or representative office;
- The certificate of surrender of seals and stamps of the branch or

⁹⁸ Article 17 of the Law: "On State Registration of Legal Entities, Branches (Representative Offices)" dated February 20, 2009 No. 57 (with latest amendments as of December 16, 2016).

representative office to the internal affairs authority;

- The proof of payment of the registration fee.

The branches or representative offices of foreign legal entities must additionally submit the following documents:

1. The certificate of no outstanding tax liabilities; and
2. The certificate of no outstanding social security liabilities.

The branches (representative offices) of financial institutions, foreign or international organizations are also required to submit the regulation on branch (representative office).

State registration of branches and representative offices, as well as registration of their liquidation, are carried out by the Ministry of Justice of the Kyrgyz Republic and its local offices.

4.2 Legal Entities

A variety of organizational legal forms of legal entities exist in the Kyrgyz Republic, the most common being:

- Limited liability companies; and
- Joint stock companies (open or closed).

The key legal acts regulating activities of legal entities are the Civil Code of the Kyrgyz Republic,⁹⁹ the Law of the Kyrgyz Republic "On Business Partnerships and Companies", and the Law of the Kyrgyz Republic "On Joint Stock Companies".¹⁰⁰

⁹⁹ Civil Code of the Kyrgyz Republic dated May 8, 1996 No. 15, Part I (with the latest amendments as of August 1, 2020) and Civil Code of the Kyrgyz Republic of January 5, 1998 No. 1, Part II (with the latest amendments as of April 19, 2019).

¹⁰⁰ The Law of the Kyrgyz Republic on Business Partnerships and Companies of November 15, 1996 No. 60 (with the latest amendments as of March 29, 2019) and the Law of the Kyrgyz Republic "On Joint Stock Companies" dated March 27, 2003 No. 64 (with the latest amendments as of April 3, 2020).

Limited Liability Companies

A limited liability company (LLC) is one of the most widespread types of legal entities in the Kyrgyz Republic, having a number of advantages:

- The participants in a LLC are not liable for its obligations, and their risk of losses that may be incurred as a result of the company performance is limited to the amount of their respective contributions; and
- The structure and powers of management bodies of a LLC are not subject to detailed legislative regulation, therefore, management and decision making in a LLC are more flexible.

The minimum charter capital of a LLC is KGS 1 (approximately USD 0.011 as of February 2021).

It must be noted that, subject to legislation of the Kyrgyz Republic,¹⁰¹ a LLC may not have as its sole participant another business entity consisting of a single person.

The number of participants in a LLC may not exceed 30; otherwise the LLC must be reorganized into a joint stock company within 1 year. Should a LLC fail to comply with this requirement, it will be subject to liquidation by court order.

Joint Stock Companies

A joint stock company is another popular form of a legal entity as shareholders are not liable for the obligations of the company. Also, the risk of losses that they may incur as a result of the company performance is limited to the value of shares owned by the shareholders.

A joint stock company must issue shares in the national currency of the Kyrgyz Republic, regardless of the form of original contribution. In addition to shares, joint stock companies may issue other securities (such as debenture bonds) to raise working capital.

¹⁰¹ Article 128 of the Civil Code of the Kyrgyz Republic.

Under Kyrgyz law,¹⁰² a founder legal entity consisting of a single participant/shareholder may not act as the sole founder/shareholder of a joint stock company.

The minimum charter capital of a joint stock company is 100,000 KGS (approximately USD 1,190 as of February 2021). As of the date of founding a joint stock company, the charter capital must be fully paid in and distributed among the founders.

Joint stock companies established in the Kyrgyz Republic may be either open or closed.

A closed joint stock company is a joint stock company whose shares may only be distributed among its founders or within another predetermined group. A closed joint stock company may not carry out a public/open placement of shares issued or otherwise offer them to an unlimited group of persons. The number of shareholders in a closed joint stock company may not exceed 50. Should the number of shareholders in a closed joint stock company exceed 50, the company must be reorganized into an open joint stock company within 1 year. Upon expiry of this period, the company will be subject to liquidation by court order. Shareholders of a closed joint stock company have pre-emptive right to purchase shares offered for sale by other shareholders of the same company.

An open joint stock company is a joint stock company the participants of which may alienate their shares without the consent of other shareholders. An open joint stock company may carry out open subscription to the shares it issues and may freely sell them on conditions established by law. An open joint stock company that has 500 shareholders or more and has carried out at least one public/open placement of securities must annually within 2 months after the last annual meeting of shareholders, but no later than June 1st of the year following the reporting year, publish in the media an annual report on its financial and business performance. In exceptional cases connected with the introduction of a state of emergency, an emergency situation

¹⁰² Article 143 of the Civil Code of the Kyrgyz Republic.

and/or force majeure circumstances, a different date of publication of annual report on financial and business performance of the company may be set by decision of the Government of the Kyrgyz Republic.

4.3 State registration of Legal Entities

In the Kyrgyz Republic legal entities obtain the respective status upon their state registration with the Ministry of Justice of the Kyrgyz Republic or its local offices.

State registration of legal entities, branches or representative offices in the Kyrgyz Republic is based on “registration by notification” and “one-stop-shop” principle. State registration of a legal entity is performed within 3 business days¹⁰³ from the date of filing the necessary documents for a specified fee.

To be registered, a legal entity must submit the following documents:¹⁰⁴

1. The application for registration in prescribed form;
2. The decision of the founder(s) to establish a legal entity;
3. If a legal entity is the founder of another legal entity, a copy of the certificate of state (re)registration;
4. If a foreign legal entity is a founder of another legal entity, a legalized/apostilled excerpt from the trade register or other proof that the foreign legal entity is in good standing under the laws of its country.
5. A copy of passport (or other document deemed to be the proof of identity under Kyrgyz law) of an individual being the head of the legal entity;
6. A power of attorney for a representative to represent the established

¹⁰³ State registration of financial institutions, non-commercial organizations, as well as branches or representative offices of financial institutions, foreign and international organizations, must be completed within 10 calendar days from the date of submitting necessary documents to the registering authority.

¹⁰⁴ Articles 10 and 11 of the Law “On State Registration of Legal Entities, Branches (Representative Offices)” of February 20, 2009, No. 57 (with the latest amendments as of December 16, 2016).

organization before the Ministry of Justice of the Kyrgyz Republic and its local offices;

7. A copy of passport (or other identity document recognized as such by the legislation of the Kyrgyz Republic) of an individual acting as a representative.

For the state registration of banks and other financial institutions a written consent of the National Bank or its local offices is required.

For the state registration of a non-profit organization, the applicant must additionally submit to the registering authority:

- The charter in two copies, signed by the chief executive of a non-profit organization;
- The list of members of governing bodies of a non-profit organization stating their full name, year of birth, and elective position;
- The list of founders of a non-profit organization or citizen-initiators (for homeowner partnerships) stating their full name, year of birth, and address.

For registration of financial institutions, the following documents are additionally submitted to the registering authority:

The charter signed by the head of the financial institution in 2 copies;

The foundation agreement of the financial institution signed by all its founders in 2 copies.

4.4 Business Reorganization and Restructuring

Reorganization of a legal entity (merger, acquisition, split-up, spin-off, and conversion) may be carried out by the decision of its founders/participants or the body of the legal entity authorized by its founding documents, or, the regulatory authority for banks, financial institutions or other entities licensed to perform operations being their only permitted activity .

To restrict monopolistic practices, commercial organizations may be subject to compulsory reorganization by court order under the circumstances and in the manner provided by law.

A merger of legal entities is an arrangement whereby their rights and obligations are transferred to the newly established legal entity under a transfer deed.

An acquisition of a legal entity by another legal entity is an arrangement whereby the rights and obligations of the acquired company are transferred to the acquiring legal entity under a transfer deed.

A split-up of a legal entity is an arrangement whereby its rights and obligations are transferred to the newly established legal entities under a separation balance sheet.

A spin-off of one or more legal entities from the original legal entity is an arrangement whereby the rights and obligations of the reorganized legal entity are transferred to each of them under a separation balance sheet.

A conversion of a legal entity of a given type into a legal entity of another type (change in the legal form of organization) is an arrangement whereby the rights and obligations of the reorganized legal entity are transferred to the newly established legal entity under a transfer deed.

A transfer deed and a separation balance sheet are the documents required for reorganization of a legal entity. They must contain provisions on legal succession with respect to all liabilities of the reorganized legal entity in respect of all its creditors and debtors, including the obligations disputed by the parties. The transfer deed and separation balance sheet shall be approved by the founders/participants of the legal entity or the authority that has taken the decision to reorganize, and shall be submitted for state registration of the newly established legal entities.

In the case of reorganization of a legal entity, its founders (shareholders) or body adopting a decision to reorganize the legal entity must notify

the creditors of the reorganized entity in writing to this effect.

Under Kyrgyz law, in case of reorganization of business entities under the circumstances provided by the anti-monopoly law, the consent of the anti-monopoly authority of the Kyrgyz Republic is required.

4.5 Business Closure

Liquidation of a legal entity entails its termination without transferring its rights and obligations to any other persons.

A legal entity may be liquidated:

- By the decision of the founders (participants) or the authorized body of the legal entity under the circumstances provided by the founding documents, including in connection with the expiration of the term for which the legal entity was established, or achievement of the purpose for which it was established, or invalidation of registration of the legal entity by the court as being established with irremediable violations of law; or
- By the decision of the court in the event of engaging in business without proper permit (license) or in business prohibited by law, or with other repeated or gross violations of law, or in the event of persistent engaging in business that is contrary to statutory goals of the legal entity; or in the event of revoking the license of banks, financial institutions, or other entities licensed to perform operations being their only permitted activity; and in such other cases as may be provided by law.

Liquidation of banks or financial institutions licensed by the National Bank of the Kyrgyz Republic occurs in the event of revocation of the banking license, subject to specific requirements for banks and other financial institutions.

Once the authorized body of the legal entity or the court makes a decision to liquidate the legal entity and to elect (appoint) the liquidation committee (liquidator), the latter must notify the registration authority

to this effect in writing within 3 business days enclosing a copy of the aforesaid decision.¹⁰⁵ The notice must indicate the procedure and period for filing the creditors' claims. At the same time, the period for filing the creditors' claims may not be less than 2 months from the date of the public announcement of liquidation.

The Ministry of Justice of the Kyrgyz Republic or its territorial subdivisions must, within 7 business days from the date of receipt of the liquidation notice, make a relevant entry in the state register and notify the Tax Service, Customs Service, Statistical Committee and Social Fund authorities to this effect.

For state registration of its termination, the legal entity must submit to the Ministry of Justice of the Kyrgyz Republic or its local offices the following documents:

1. The standard application form for termination of registration;
2. The decision of the authorized body of the legal entity or the court to liquidate the legal entity and to elect (appoint) the liquidation committee (liquidator);
3. The certificate of state registration (re-registration) of a legal entity;
4. The certificate of no outstanding social security liabilities;
5. The certificate of no outstanding tax liabilities;
6. The certificate of surrender of seals and stamps to the internal affairs authority;
7. The decision of the authorized body of the legal entity to approve the liquidation balance sheet;
8. The certificate of repositioning the documents of the liquidated legal entity with the state archive fund;
9. The proof of payment of the registration fee;
10. A power of attorney for a representative to represent the liquidated

¹⁰⁵ Article 13 of the Law: "On State Registration of Legal Entities, Branches (Representative Offices)" of February 20, 2009 No. 57 (with the latest amendments as of December 16, 2016).

legal entity before the Ministry of Justice of the Kyrgyz Republic and its local offices;

11. A copy of passport (or other identity document recognized as such by the legislation of the Kyrgyz Republic) of an individual acting as a representative.

For termination of state registration, financial lending institutions and non-commercial organizations must also provide their charters.

4.6. Online registration of legal entities

On February 26, 2019, the Government of the Kyrgyz Republic approved the Interim Procedure¹⁰⁶ for online registration of legal entities via the Internet information and communication system.

For online registration of legal entities, an applicant must:

1. have an ID card (a 2017 passport of citizen of the Kyrgyz Republic);
2. login to the government e-services portal using the card reader (smart card) allowing to authenticate the identity of the applicant or other person on whose behalf the information must be signed.

Registration documents must be filed with the Ministry of Justice as electronic images.

4.7 Business Activity without Establishing a Legal Entity

Under Kyrgyz law¹⁰⁷, a business can be organized as a legal entity or its branch or representative office, or as a sole proprietorship, which is a non-corporate form of doing business. Nationals of the Kyrgyz Republic, foreign nationals, and stateless persons permanently or temporarily residing within the territory of the Kyrgyz Republic may do business as sole proprietors.

¹⁰⁶ Resolution of the Government of the Kyrgyz Republic dated February 26, 2019 No. 94 "On conducting a pilot project for online state registration of legal entities".

¹⁰⁷ Article 58 of the Civil Code of the Kyrgyz Republic and Regulation on procedure of tax registration of taxpayers in the Kyrgyz Republic approved by KR Government Resolution dated April 7, 2011 No. 144 (with latest amendments as of December 25, 2020).

Such form of business organization is not only attractive due to its simplified structure, state registration requirements and accounting procedures, but is also risky in terms of unlimited property liability for business obligations.

Under Kyrgyz law, a business can be operated as a sole proprietorship in two ways:

- Based on a certificate of state registration as a sole proprietor;
- Based on a patent.

A certificate of state registration as a sole proprietor is issued by the local tax offices that are closest to the place of registration according to passport data, place of residence or place of business or at the place of location or registration of the object of taxation, which is owned by a foreign national.

Once registered as a sole proprietor, it is necessary to apply for registration as a social insurance payer with the respective subdivisions of the Social Fund.

A sole proprietor whose total revenue per year does not exceed the VAT registration threshold (i.e., a small business entity) must keep records and accounts according to simplified rules established by the Government of the Kyrgyz Republic.

Sole proprietors may engage in entrepreneurial activities without the need to register, provided that they operate on the basis of a patent, if the respective business activities are included in the conclusive list of patent-based activities (voluntary patent)¹⁰⁸ or if such activities are subject to mandatory taxation on a patent basis (mandatory patent)¹⁰⁹.

¹⁰⁸ Resolution of the Government of the Kyrgyz Republic dated June 25, 2015 No. 418 “On approval of the base tax amount applicable to voluntary patent-based activities” (with the latest amendments as of March 18, 2020).

¹⁰⁹ Resolution of the Government of the Kyrgyz Republic dated January 28, 2009 No. 58 «On approval of tax rates (amounts) applicable to mandatory patent-based activities» (with the latest amendments as of December 12, 2014).

A patent is a document issued by the tax authority to certify payment of the respective tax by individuals by types of activities specified in the patent. Thus, a sole proprietor operating on the basis of a patent is not required to report to tax authorities¹¹⁰ and only needs to purchase a patent and then keep extending its validity period. The patent validity period varies from 30 to 180 days. A patent is valid only in the territory where it was issued (district, city without district division, or Bishkek city). It is not allowed to transfer patent or its copy to another person in order to engage in business activity.

Thus, the law sets forth both voluntary and mandatory patenting procedures depending on the type of business. However, if a sole proprietor operating on the basis of a patent receives income, which, during a calendar year, exceeds a threshold for VAT registration (for more detail refer to Section 6.3), a tax authority must stop issuing patents and require this sole proprietor to register for VAT and to receive a certificate of registration as a sole proprietor.

A sole proprietor may terminate its operation on the basis of their own application or court decision. In which case, termination is performed in accordance with the company liquidation rules.

4.8 Free Economic Zones

Free economic zones (FEZs) are areas with special legal regime offering incentives to companies engaged in foreign trade and business activities¹¹¹.

FEZ residents enjoy the following incentives and benefits:

- Partial exemption from all taxes, duties, fees, and charges, for the
- ¹¹⁰ At the same time, in case of the patent-based tax, taxpayers are not exempt from filing a unified tax return indicating the actual income from their activities as required by the Tax Code of the Kyrgyz Republic though without mandatory confirmation and verification of the tax amount paid. The unified tax return must be filed along with the copies of patents.

¹¹¹ The Law of the Kyrgyz Republic “On Free Economic Zones in the Kyrgyz Republic” dated January 11, 2014 (with the latest amendments as of July 8, 2019 No. 83).

duration of residence in FEZ;

- Distribution of 0.1% to 2% of proceeds from sale of goods and services over a year to the General Directorate of FEZ for offering tax and other incentives on the premises of FEZ;¹¹²
- Simplified entry and exit requirements for foreign workers;
- Simplified customs procedures; and
- Direct access to critical infrastructure, including telecommunications, water supply, power, and transport, on the premises of FEZ.

Export of goods produced on the premises of FEZ for the purpose of delivery to the Eurasian Economic Union member states, except the Kyrgyz Republic, is exempt from VAT.¹¹³

FEZ residents may not engage in:

- development and production of mineral resources;
- import, production and sale of excisable goods, except those meant for production purposes and production of goods other than excisable goods, after payment of taxes and customs duties in accordance with the laws of the Kyrgyz Republic;
- production, repair and sale of weapons and ammunition, production and sale of explosives used in production of weapons;
- production, processing, storage, deactivation, and sale of radioactive, nuclear and other hazardous materials;
- import, storage, production and sale of narcotic and psychotropic substances, except precursors used in production purposes and imported in accordance with the laws of the Kyrgyz Republic.

State registration (re-registration) and termination of registration of FEZ residents are vested in the Ministry of Justice of the Kyrgyz Republic and its local offices.

¹¹² For more detail on FEZ taxation refer to Section 6.11.

¹¹³ The Law of the Kyrgyz Republic «On Amendments to the Tax Code of the Kyrgyz Republic» dated January 25, 2021 No. 15.

Companies willing to obtain the FEZ resident status must submit an application to the General Directorate of FEZ containing the following information:

1. proposed activity corresponding to FEZ type;
2. area of land required for proposed activity;
3. proposed capital investments including those to be made during the year from the date of executing an agreement on conditions of residence in FEZ.

The procedure for granting the FEZ resident status is established by the General Directorate of FEZ.

A company is considered a FEZ resident from the date of making a relevant entry in the register of FEZ residents. The General Directorate of FEZ must enter the registration data in the register of FEZ residents within three working days from the date of signing the agreement on conditions of residence FEZ and issue a certificate of registration as a FEZ resident.

Currently, there are 5 free economic zones functioning within the territory of the Kyrgyz Republic: the Bishkek FEZ, the Maimak FEZ, the Naryn FEZ, the Karakol FEZ and the Leilek FEZ.¹¹⁴

¹¹⁴ Resolution of the Government of the Kyrgyz Republic No. 431 of August 1, 2014.

5. LICENSES AND PERMITS

Legislation

The basic regulatory act governing the matters related to the licensing of certain types of activities, actions and operations is the Law of the Kyrgyz Republic “On Licensing and Permits System in the Kyrgyz Republic” (the “LPS Law”).¹¹⁵

The licensing law distinguishes two types of documents allowing their holders to engage in specified activities or actions/operations:

- **license** certifying the right of its holder to engage in licensable activity; and
- **permit** confirming the right of its holder to engage in certain actions in the course of its activity.

The LPS Law establishes a conclusive list of licenses and permits. Activities (or actions) that are not included in the list established by the LPS Law are carried out on general basis without the need to obtain licenses or permits.

Licenses and permits are issued on equal grounds and conditions to all individuals and legal entities (including foreign ones), regardless of the form of ownership.

Specific licensing requirements for certain categories of activities

Industry-specific licensing requirements for certain categories of activities (actions) must apply to the extent not inconsistent with the LPS Law.

Licensing requirements for banks, financial/lending institutions and other entities regulated by the National Bank of the Kyrgyz Republic, including in respect of the issuance, suspension, termination

¹¹⁵ The Law of the Kyrgyz Republic “On Licensing and Permits System in the Kyrgyz Republic” No. 195 dated October 19, 2013 (with the latest amendments as of April 22, 2020).

(revocation, cancelation) of licenses, and control of compliance with such requirements must apply in accordance with the Kyrgyz legislation on the National Bank of the Kyrgyz Republic, banks and banking, payment, microfinance, credit bureau and credit union services, residential savings and loan companies, and other entities reporting to the National Bank of the Kyrgyz Republic¹¹⁶.

The issuance of subsoil use licenses, including their extension, suspension, termination or transfer as well as the licensing requirements and control of compliance with them, licensing fees and charges are regulated by the legislation of the Kyrgyz Republic on mineral resources.

The licensing of international trade activity is regulated by the legislation of the Kyrgyz Republic on international economic activity and treaties and acts forming the Eurasian Economic Union’s licensing law.

Frequency allocation and assignment, including the issuance, renewal, suspension, termination, and revocation of licenses, licensing requirements and compliance, collection of license fees and charges are regulated by the legislation of the Kyrgyz Republic on telecommunications.

The issuance, renewal, suspension, revocation, termination of employment permits for foreign nationals and stateless persons and employment of Kyrgyz nationals abroad, permit requirements, control over collection of charges are regulated by the Kyrgyz legislation in the field of external labor migration.¹¹⁷

Types of activities requiring licenses

The LPS Law lists the following types of activities requiring respective licenses:

- Production, transmission, distribution, sale, export and import of electricity (except electricity produced from renewable sources or

¹¹⁶ For more information on banking regulation refer to Section 9.

¹¹⁷ For more information on employment of foreign nationals in the Kyrgyz Republic refer to Section 10.

- from other sources for personal use with capacity up to 1,000 kWh);
- Production, transmission, distribution, sale, export and import of heat (except heat produced from renewable sources or from any sources for personal use);
- Processing of oil and natural gas, except industrial-scale production and sale of bioethanol produced from vegetable feed;
- Production, transfer, distribution, and sale of natural gas;
- Production and distribution of ethyl alcohol;
- Production and distribution (storage for production or sale purposes, wholesale and retail trade) of alcoholic products;
- Private medical practice (except under a service or employment contract with private medical institutions or individual entrepreneurs);
- Pharmaceutical activities;
- Production and sale of vaccines and serums in specialized veterinary enterprises;
- Activities involving work with RG2 microorganisms;
- Activities in the field of electric communication (except internal or private telecommunications networks operators and services);
- Activities in the field of postal communication;
- Activities in the field of data transfer (except internal or private telecommunications networks operators and services);
- Urban planning, research and design of residential, public and production buildings and structures (Category I, II and III facilities);
- Construction and installation operations, except construction of individual residential houses (Category I, II and III facilities);
- Passenger transport services by motor vehicle (except taxi cars);
- International cargo transportation by truck;
- Passenger and (or) cargo transportation by air;
- Aircraft ground handling in airports (aerodromes) during arrival and departure, except maintenance and (or) repair of aircrafts;
- Passenger and (or) cargo transportation by water;
- Banking operations specified by the legislation of the Kyrgyz Republic in the field of banking, micro-finance, payment systems and funds transfer, credit information exchange and credit union activities;
- Credit union activities;
- Microfinance activities;
- Pawn shop activities;
- Foreign currency exchange services;
- Credit bureau activities;
- Residential savings and loan company activities;
- Payment intermediary services effectuated through IT-based and electronic payment systems;
- Acceptance, processing, and issuance of financial information (processing and clearing services) relating to payments and settlements between third parties and participants of the payment system of a given processing or clearing center;
- Professional lottery activities;
- Transportation (including trans-boundary transportation) of toxic substances, including radioactive waste;
- Design, manufacture and sale of military products (munitions, military equipment, military-technical property, documentation, intellectual property, military-technical information referred to military products under Kyrgyz law) and military services (maintenance, upgrade, disposal of munitions, military equipment and their transportation, supply, and storage);
- Production, use, disposal of industrial explosive materials;
- Sale of explosive substances and products (including pyrotechnic ones);
- Production, repair, and trade in weapons and munitions;
- Design, production, manufacture, processing, storage, issue, sale, purchase and distribution of narcotic drugs, psychotropic substances

and their precursors;

- Advocate practice;
- Private notarial practice;
- Voluntary universal life insurance services;
- Voluntary personal insurance services;
- Voluntary property insurance services;
- Voluntary liability insurance services;
- Mandatory insurance services;
- Mandatory and voluntary inward reinsurance services;
- Non-governmental pension fund activities;
- Organized securities market;
- Securities broker services;
- Security registrar services;
- Securities depository services;
- Securities dealer services;
- Investment fund activities;
- Investment trust activities;
- Audit services;
- Bankruptcy administration services;
- Design, installation, adjustment and repair of anti-fire automatic devices; flameproofing of wooden structures and combustible theatrical display equipment;
- Educational activities (except state and municipal educational organizations carrying out pre-school, primary, basic and secondary general and out-of-school education programs);
- Import, export of arms and ammunition, as well as other products of military purpose according to the list approved by the Government of the Kyrgyz Republic;
- Import, export, re-export of goods included in the National checklist of controlled products of the Kyrgyz Republic approved by the

Government of the Kyrgyz Republic;

- Insurance broker activities;
- Actuarial activities.

Also, licensing is mandatory for the following activities related to the use of limited public resources:

- Using radio frequency spectrum (except individuals and (or) legal entities using the radio-frequency spectrum for non-commercial production purposes);
- Taking timber from the woodland at woods of the forestry fund (felling license, small-scale timber supply permit);
- Taking flora resources for commercial purposes (flora resources taking permit, forest use permit);
- Disposal, storage, burial and elimination of toxic waste, including radioactive waste;
- Mineral tenure related activities as set forth in the subsoil use law;
- Generation, use, processing, formation, storage, and elimination of substances which can form explosive mixtures (filling stations which fill compressed or liquefied gas cylinders);
- Generation, formation, storage, use and elimination of highly toxic substances.

Types of operations requiring permits

Permits are mandatory for the following operations:

- Blasting operations;
- Mining operations;
- Import and export of ore and rock samples, concentrates, residues and laboratory tests for analytical research;
- Purchase of alluvial gold and gold concentrate;
- Import of commodities of plant origin under quarantine;
- Work permit issued to foreign citizens and stateless persons at

employers' request based on overall quota in the territory of the Kyrgyz Republic;

- Employment of Kyrgyz citizens abroad;
- Transit of weapons and military equipment through the territory of the Kyrgyz Republic;
- Import, export, transit through the territory of the Kyrgyz Republic of narcotic drugs, psychotropic substances and their precursors;
- Purchase, storage, transportation, carrying, collection, display, of civilian and duty weapons and munitions;
- Purchase and sale of highly toxic substances;
- Purchase, sale, storage, transportation, carrying, import, export of special means approved by the Government of the Kyrgyz Republic;
- Test fishing for scientific purposes;
- Placement of waste in the environment;
- Discharge of pollutants into the environment;
- Release of pollutants into the atmosphere by stationary sources of pollution;
- Entry and exit from foreign country during international cargo transportation by truck;
- Transit through the territory of a foreign state during international cargo transportation by truck;
- International cargo transportation by truck;
- Cargo transportation to or from third countries during international cargo transportation by truck;
- International passenger transportation (regular and irregular);
- Transportation of dangerous goods;
- Storage of explosives materials used for industrial purpose;
- Storage of pyrotechnic products;
- Import of pyrotechnic products to the Kyrgyz Republic;
- Purchase of explosives materials;

- Import to the Kyrgyz Republic of radio-electronic means (REM) and high-frequency devices (HFD), other technical means emitting radiofrequency radiation or high-frequency electromagnetic waves;
- Frequency acquisition for operation of radio-electronic means;
- Import and export of goods (products) subject to veterinary control;
- Transit through the territory of the Kyrgyz Republic of goods (products) subject to veterinary control;
- Identification of controlled products, transit through the territory of the Kyrgyz Republic of goods included in the National Checklist of controlled products of the Kyrgyz Republic approved by the Government of the Kyrgyz Republic;
- Development, production, sale, purchase, storage, transportation of special technical means used for surreptitious obtaining of information;
- Hosting TV and radio channels on analog and(or) digital broadcasting platforms, regardless of the technology used;
- Public or promotional lottery.

License (permit) issuing authorities

Licenses are issued by the competent authorities (licensors) exercising control over licensable activities. The list of the authorities issuing licenses (permits) is established by the Government of the Kyrgyz Republic. Apart from the competent authorities, the licensing functions may be also discharged by self-regulatory organizations.

Licenses issued in other countries are recognized as valid in the Kyrgyz Republic under mutual or automatic recognition agreements or on a unilateral basis, provided that such licenses are included in the list approved by the Government of the Kyrgyz Republic.

License (Permit) Issuance Procedure

Licensing procedure for certain types of activities (operations), including licensing requirements and a list of documents required for application,

are established by the Government of the Kyrgyz Republic. Licensing procedure and requirements for banks, financial and credit institutions and other entities regulated by the National Bank of the Kyrgyz Republic are established by respective legislation, including the normative legal acts issued by the National Bank of the Kyrgyz Republic.

Competent authorities may not demand from the applicant any documents other than those provided by the LPS Law and other laws or regulations of the Kyrgyz Republic to the extent not inconsistent with the LPS Law.

Licenses are issued within thirty calendar days from the date of filing an application with all the required documents. The only exception is the license to use radio-frequency spectrum requiring coordination with neighboring countries of the Kyrgyz Republic.

6. TAXES AND DUTIES

Taxation in the Kyrgyz Republic is regulated by the Tax Code of the Kyrgyz Republic¹¹⁸ and other regulatory legal acts.

Among other mandatory charges are social security contributions to the Social Fund of the Kyrgyz Republic regulated by the Law "On State Social Security"¹¹⁹, the Law "On Tariffs of Social Security Contributions for State Social Security"¹²⁰, and other acts. For more information on social security contributions, fees and other mandatory charges please refer to points 6.9, 6.10 of this section.

Types of Taxes

The current Tax Code was enacted in October 2008 and took effect on the 1st of January, 2009.

According to it, nowadays, the following taxes are paid in the Kyrgyz Republic under the general tax regime.

National taxes such as:

- Profit tax
- Income tax
- Value added tax
- Excise tax
- Mining taxes (Bonuses and Royalties)
- Sales tax

¹¹⁸ The Tax Code of the Kyrgyz Republic dated October 17, 2008 No. 230 (with the latest amendments as of February 26, 2021, No. 24).

¹¹⁹ The Law of the Kyrgyz Republic "On State Social Insurance" dated June 17, 1996 No. 20 (with the latest amendments as of December 31, 2020, No. 13).

¹²⁰ The Law of the Kyrgyz Republic "On Tariffs of Insurance Contributions for State Social Insurance" dated January 24, 2004 No. 8 20 (with the latest amendments as of April 3, 2020, No. 33).

Local taxes such as:

- Land tax
- Property tax

For taxation purposes, legal entities are divided into domestic and foreign entities. Domestic entities are legal entities organized under the laws of the Kyrgyz Republic, and foreign entities are corporations, companies, firms, foundations, institutions or other formations organized under the laws of a foreign state, or international organizations. Foreign entities, in their turn, are divided into foreign entities operating through a permanent establishment in the Kyrgyz Republic, and foreign entities not operating through a permanent establishment in the Kyrgyz Republic.

Foreign entities operating through a permanent establishment in the Kyrgyz Republic

A foreign entity operating through a permanent establishment in the Kyrgyz Republic becomes a taxpayer along with domestic entities.

Permanent establishment is a fixed place of business through which the economic activity of the foreign company is wholly or partly carried on and includes the following:

- a place of management;
- a branch;
- an office;
- a factory;
- a workshop;
- a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;
- a land plot;
- a building site or construction or installation project or relevant works supervision services (if such site, or project or services last more than 183 calendar days during any 12-month period);

- an installation or structure used in the exploration of mineral resources, or supervision services, or drilling installation or ship used to explore mineral resources (if such use lasts for 183 or more calendar days or if such services are provided for 183 or more calendar days during any 12-month period);
- Rendering of services including consulting services rendered by a non-resident through personnel hired by this non-resident (if such personnel conduct such activities in the territory of the Kyrgyz Republic during 183 or more calendar days within any 12-month period).

Foreign entities not operating through a permanent establishment in the Kyrgyz Republic

If a foreign entity is not operating through a permanent establishment in the Kyrgyz Republic, but it derives income from the sources located within the Kyrgyz Republic, for taxation purposes, it is treated as a foreign entity not operating through a permanent establishment in the Kyrgyz Republic. In this case, an individual entrepreneur or legal entity paying income to such foreign entity must assess, withhold, and transfer to the budget the amount of tax on income received from a source in the Kyrgyz Republic by a foreign entity not operating through a permanent establishment in the Kyrgyz Republic, without deductions at the following rates:

- For insurance payments under insurance agreements or risk re-insurance agreements (except mandatory insurance agreements), income from international telecommunication or international transportation services between the Kyrgyz Republic and other countries, the rate is 5%;
- For dividends and interest income (except interest income from securities listed on the Kyrgyz stock exchange in the highest and second highest listing categories), insurance payments under agreements of compulsory insurance or reinsurance against risks, author's honoraria, royalties, income from services and works, the

rate is 10%;

- Dividends of a foreign organization not having a permanent establishment in the Kyrgyz Republic that are qualified as part of the profit subject to a 0% profit tax, in cases provided by the Tax Code, are subject to a 0% .

6.1 Profit Tax

Payers of profit tax include domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic, sole proprietors, as well as tax agents paying income from a source in the Kyrgyz Republic to foreign entities not operating through a permanent establishment in the Kyrgyz Republic.

Object of taxation is the income received from business activities by:

- A domestic entity or sole proprietor from a source within or outside the Kyrgyz Republic;
- A foreign entity or non-resident individual operating through a permanent establishment in the Kyrgyz Republic from a source in the Kyrgyz Republic.

Tax base is the profit calculated as a positive difference between a taxpayer's gross annual income and expenses deductible under tax law as assessed for the tax period. At that, small and medium enterprises may calculate their taxable profit under the simplified procedure.¹²¹ For foreign organizations receiving income at source in the Kyrgyz Republic and not having a permanent establishment in the Kyrgyz Republic, a tax base is an income without deductions.

Gross annual income includes all types of income identified in accordance with the accounting rules set forth in Kyrgyz law.

¹²¹ Small and medium enterprises mean payers of profit tax, except entities providing financial, insurance, investment fund or professional securities market services, and payers of excise tax whose proceeds from sale of goods, works or services, net of VAT and sales tax, do not exceed 30 million soms per calendar year.

Gross annual income does not include non-taxable income including:

- Value of property received as a share input and/or contribution to the charter capital and/or other types of input in the organization in which a business entity is a participant;
- Value of fixed assets gratuitously transferred to an organization and money used as capital investments to develop its own production base by the decision of the Kyrgyz Government or local authorities as well as value of facilities (, hydroelectric power plants, thermoelectric power plants, hydrotechnical facilities, water intake facilities, mining equipment, civil defence facilities, and land use rights) gratuitously transferred to ownership of business companies with state participation interest of more than 50% and/or specialized organizations owned by the Kyrgyz Republic or local authorities engaged in use and operation of the said facilities for their intended purpose;
- Value of fixed assets gratuitously transferred to a specialized organization (to be used for social, cultural, housing, communal or household purposes, roads, water supply and sewerage, electric networks and meters, substations, boiler rooms, heating networks, gas networks and meters) engaged in use, operation, and maintenance of these facilities for their intended purpose regardless of form of ownership under the commissioning certificate;
- Received by non-profit organizations: (a) membership and entrance fees; (b) humanitarian aid and grants, provided that they are used only for the purposes stated in the charter; (c) value of gratuitously received assets provided that they are used only for the purposes stated in the charter; fee for technical maintenance of multi-apartment houses and servicing buildings and structures; fee for irrigation water supplied by water user associations to their members in the framework of the activity stated in the charter; (e) fee for religious rites, rituals, ceremonies, pilgrimage services and voluntary endowments;
- Dividends received by taxpayers on income from participation in

local companies;

- Value of property received by general partnership as contributions of partners;
- Value of property in trust management;
- Gain in the value of treasury shares (excess over par value);
- Gain in the value of sold treasury shares;
- Interest and gain in the value of securities listed on the stock exchanges in the highest and second highest listing categories on the date of sale;
- Dividends received by the taxpayers from equity interest in domestic companies.

Expenses fully or partially deductible from the gross annual income include:

- Interest expense;
- Expenses incurred in the process of innovation activity which includes scientific research, development and engineering works; design and survey works; implementation of scientific and technological achievements; implementation of application software packages; implementation of information and communications technologies;
- Depletion allowance;
- Fixed asset depreciation amounts (at normal rates);
- Expenses incurred in connection with the repair of fixed assets (in a certain amount);
- State social security deductions;
- Losses incurred in connection with the sale of securities;
- Provision for probable loan losses and bank contributions to Deposit Protection Fund;
- Charity expenses (in a certain amount);
- Personnel training and re-training expenses;
- Business trip expenses;

- Representation expenses;
- Other documented income generation expenses.

Apart from that, the tax legislation sets forth a list of **expenses not deductible from the gross annual income**, including:

- Tax sanctions, penalties and default interests paid to the national budget and to the Social Fund of the Kyrgyz Republic;
- Expenses related to production, acquisition and installation of fixed assets and other capital expenditures;
- Profit tax, value added tax (except VAT not subject to set-off), sales tax (except sales tax paid to suppliers during the purchase of goods, works or services), excise tax (except non-deductible excise tax);
- Expenses related to purchase, operation or maintenance of any property income from which is not taxable according to the Tax Code of the Kyrgyz Republic;
- Any expenses incurred for another person, except those representing payments for the services rendered or dictated by the production necessity as confirmed by a documentary evidence;
- Amount of natural losses above standards established by regulatory legal acts effective in the Kyrgyz Republic;
- Expenses that are not capable of being identified by supporting documents except in cases specified by the Tax Code of the Kyrgyz Republic;
- Amounts of non-income generating expenses;
- Expenses incurred to generate income not subject to profit tax;
- Some other types of expenses.

For taxpayers engaged in extraction and sale of gold ore, concentrate, alloy and refined gold¹²² the profit tax rate is 0%. Local entities engaged

122 Taxpayers engaged in extraction and sale of gold ore, concentrate, alloy or refined gold pay income tax at rates ranging from 1% to 30% depending on the value of gold. Taxable income is the proceeds (net of VAT and sales tax) from sale of gold alloy and refined gold, and the value of gold in ore and concentrate calculated on the basis of world market prices in the manner specified by the Kyrgyz Government.

in various areas of production and sale of own goods, including production and sale of goods received as a result of processing of goods in the Kyrgyz Republic, by using only the new equipment¹²³, may, during 5 consecutive years, pay the profit tax at the rate of 0% if they meet the criteria established by the Tax Code. For enterprises engaged in activities subject to preferential tax regime under the Tax Code (except mining, mineral processing, and excisable goods manufacturing) the profit tax rate is 0% for the period of up to 5 years with the possibility of renewal for another 10 years. For leasing companies the rate of the profit tax will be 5% until December 31, 2021. Some entities are exempt from the profit tax (e.g. credit unions, charitable organizations, agricultural producers, agricultural trade and logistics centers, privately owned general educational institutions, etc.). For all other taxpayers, the rate of the profit tax is 10%.

6.2 Income Tax

Payers of income tax are Kyrgyz citizens, resident non-Kyrgyz citizens and non-resident non-Kyrgyz citizens receiving income from a source in the Kyrgyz Republic, and tax agent (entity or sole proprietor) paying income to individuals from a source in the Kyrgyz Republic.

Object of taxation is:

1. economic activity, except business activity, resulting in income generated:
 - from a source within and/or outside the Kyrgyz Republic – in respect of Kyrgyz citizens and resident non-Kyrgyz citizens having residence permit or kairylman (repatriate) status;
 - from a source within the Kyrgyz Republic – in respect of resident

¹²³ The new equipment means fixed assets imported to the Kyrgyz Republic after May 1, 2015 and not used therein before this date, or immovable property owned by the local entity or used by it under the financial lease (leasing) agreement. The new equipment does not include the fixed assets imported by the taxpayer after May 1 and used for extension or modernization of fixed assets or production facility acquired or produced by the taxpayer before May 1, 2015.

non-Kyrgyz citizens not having residence permit or kairylman (repatriate) status; and from a source within the Kyrgyz Republic – in respect of non-resident of the Kyrgyz Republic except non-resident who is the employee of the branch and/or representative office of the domestic organization registered outside the Kyrgyz Republic;

2. generation of any other income.

Tax base is income estimated as the difference between the gross annual income, received by a taxpayer over the tax period, and deductions required by Kyrgyz tax legislation, but in any case representing not less than a minimum estimated income for the income tax period annually set by the Government of the Kyrgyz Republic in consultation with the relevant committee of the Parliament of the Kyrgyz Republic.

The income tax period is one calendar year,

The income tax rate is **10%**.

6.3 Value Added Tax

Value added tax (VAT) is a tax collected and remitted to the government on the value of VAT-taxable supplies in the territory of the Kyrgyz Republic, including taxable import supplies to the Kyrgyz Republic.

Payers of VAT are taxable entities and/or entities performing taxable import operations.

Under Kyrgyz tax legislation, an entity is subject to taxation if it has been or must be registered for VAT. A business entity must register for VAT if, during 12 consecutive months or less, it has been making taxable supplies of goods, works or services in the territory of the Kyrgyz Republic for the amount exceeding 8 million KGS. The entity which is not required to register for VAT may register for VAT voluntarily.

The object of VAT taxation includes:

- Taxable supplies; and
- Taxable import.

Taxable supplies. Under Kyrgyz tax law, taxable supplies carried out by a taxable entity include the following supplies except non-taxable supplies:

- Supplies of goods in the territory of the Kyrgyz Republic;
- Supplies of works and services in the Kyrgyz Republic for a fee;
- Export of goods from the Kyrgyz Republic (except export of metallic ores, concentrates, alloys and refined metals).

Taxable supplies are subject to **12%** VAT, except VAT taxable supplies subject to a zero rate or a **20%** VAT rate.

Zero VAT taxable supplies include the following:

- Export of goods, except export of gold and silver alloy and refined gold and silver, metallic ores, concentrates, alloys and refined metals;
- International carriage of passengers, luggage and cargos, except carriage by rail;
- Transit flights and related international carriage catering services, except international carriage by rail;
- Services related to the supply of electricity to pump stations supplying irrigation water to the fields and drinking water to the population.

20% VAT taxable supplies made by taxable entities from the 1st of January, 2009 include supplies of:

- Residues of material resources except fixed assets as of the 1st of January, 2009 acquired and produced during the period starting on the date this entity was registered for VAT and ending on the 31st of December, 2008;
- Goods brought across the border of the Kyrgyz Republic before the 1st of January, 2009.

Taxable import. Taxable import means the import of goods into the territory of the Kyrgyz Republic, except exempt import. Exempt import means:

- a. the import of foreign goods placed under the customs regime of release for domestic consumption into the EAEU customs territory in the Kyrgyz Republic;
- b. the import of the EAEU goods placed under the customs procedure of reimport:
 - into the EAEU customs territory in the Kyrgyz Republic;
 - into the territory of the Kyrgyz Republic from the territory of free economic zones and free warehouses of the Kyrgyz Republic;
- c. the import of the EAEU goods into the territory of the Kyrgyz Republic from the territory of another EAEU member state if they are:
 - acquired for ownership;
 - received for use under the financial lease agreement;
 - products of processing of customer supplied raw materials;
- d. the import of foreign goods into the territory of the Kyrgyz Republic from the territories of free economic zones, free warehouses and customs warehouses of the Kyrgyz Republic;
- e. the import of customer supplied raw materials into the territory of the Kyrgyz Republic from the territory of another EAEU member state for processing in the territory of the Kyrgyz Republic, if more than 24 months have passed since the date of import of raw materials and if the processed products have not been exported outside the Kyrgyz Republic.

Supplies of goods treated as taxable import are subject to **12% VAT**.

Thus, if an entity is registered or is required to register as a VAT payer, such entity must pay tax both on taxable supplies and on taxable import. If an entity is not registered nor is required to register as a VAT payer, such entity must pay VAT on taxable import only.

Exempt supplies include exempt supplies and supplies outside the scope of VAT. Kyrgyz tax legislation sets forth a list of exempt supplies, including:

- Supply of land, except allocation of trading spaces and parking areas;
- Supply of residential buildings and premises, except lease of inns, boarding houses, resort and health centres;
- Supply by an agricultural producer of its own agricultural products and processed products;
- Supply by an agricultural trade and logistics center of agricultural products and processed products received from agricultural producers and agricultural cooperatives;
- Supply of works involving the use of agricultural machinery, agricultural machinery maintenance and repair services, or agricultural machinery spare parts by a machine tractor station to an agricultural producer or agricultural cooperative;
- Supply of public utilities to a physical person for household purposes;
- Supply of own goods, works, or services by correctional institutions and enterprises of the Kyrgyz penal system;
- Supply of prosthetic and orthopaedic items, supply of specialized goods for handicapped persons including their repair and supply of medicines according, including vaccines and veterinary medicines, as well as medical devices included in the lists determined by the Kyrgyz Government;
- Supply of financial services;
- Supply of property received by banks from their borrowers in repayment of debt to the extent of the amount of the debt;
- Supply by banks of refined standard and dimensional gold and silver bars and coins;
- Supply of insurance, coinsurance and reinsurance services;
- Supply of pension processing and payment services, and pension funds property management, except lease of property;
- Passenger carriages in the territory of the Kyrgyz Republic, except carriages by car with less than 6 passenger seats;
- International passenger, luggage and cargo carriages by rail;

- Supply of text books, reading books, scientific, artistic literature, magazines, children's literature published in state (Kyrgyz) language;
 - Supply of services of processing the goods imported in the customs territory of the Eurasian Economic Union and subject to customs procedure of processing of goods in the customs territory and processing of goods for internal consumption;
 - Supply of state property through privatization;
 - Supply of means of identification, as well as services involving the issuance and generation of product marking codes;
 - Supplies by charitable organizations for charitable purposes in accordance with Kyrgyz law on sponsorship and charity;
 - Supply of preschool education (private kindergarten) services;
 - Supply private cardiac surgery services;
 - Supply of services by private general education organizations;
 - Supply of services by the Main Directorate of the State Specialized Security Service of the Ministry of Internal Affairs of the Kyrgyz Republic;
 - Supply of hemodialysis services by private health organizations to patients with end-stage kidney disease;
 - Supplies related to social security, child and low-income aged people protection, and supplies related to education, medicine, science, culture, and sport and made by a non-commercial organization for a fee not exceeding expenses related to such supplies;
 - Gratuitous transfer of socio-cultural, health and fitness, housing and household utilities facilities, roads, power networks, substations, boiling rooms, heating networks, gas networks, hydroelectric power facilities, thermoelectric power facilities, hydrotechnical facilities, water intake facilities, mining equipment, civil defence facilities, gratuitously transferred to ownership of business companies with state participation interest of more than 50% and/or specialized organizations owned by the Kyrgyz Republic or local authorities engaged in use and operation of the said facilities for their intended purpose;
 - Gratuitous transfer of fixed assets into ownership of entities by decision of the Kyrgyz Government or local authorities;
 - Gratuitous transfer of utility facilities to residential properties or their operators in the manner determined by the Kyrgyz Government;
 - Gratuitous transfer of public utility networks to a specialized organization under a certificate of commissioning;
 - Supply by government and municipal authorities of ritual goods and rendering of ritual services to the public related to burial or funeral;
 - Supply of mineral fertilizers, chemical plant protection means, animal vaccines and medications according to the list established by the Kyrgyz Government;
 - Supply of vehicles powered by electricity produced at the enterprises of the Kyrgyz Republic;
 - Supply to a local agricultural producer of agricultural machinery manufactured at Kyrgyz enterprises according to the list approved by the Kyrgyz Government;
 - Supply and export of metallic ores, concentrates, alloys and refined metals;
 - Supplies of goods, works and services by private partners and (or) a project company under the public-private partnership agreement subject to approval by the Kyrgyz Government during the period specified in the public-private partnership agreement;
 - Supply of jet fuel by a refuelling organization as on-board supplies for the refuelling of aircraft engaged in international air services;
 - Supply of goods or works under a social contract;
 - Import of certain goods;
 - Import of some fixed assets by business entities registered for VAT directly for their own operational purposes;
 - Export of works and services.
- All other supplies not included in the list of taxable supplies, taxable import or exempt supplies are treated as supplies falling outside the

scope of VAT. For example, sale of an enterprise or an independently operating part thereof by one VAT payer to another VAT payer or entity becoming a VAT payer at the moment of transfer; or transfer of goods from a taxpayer to its agent except when goods are transferred by a taxpayer to an agent as the agent's remuneration.

6.4 Excise Tax

Payers of excise tax are entities manufacturing excisable merchandise, including on a give-and-take basis, within the Kyrgyz Republic, and/or importing excisable merchandise to the Kyrgyz Republic such as:

- Ethyl alcohol;
- Malt beer;
- Alcoholic drinks;
- Mixtures of alcoholic and non-alcoholic drinks;
- Tobacco products and other products containing tobacco, «homogenized» or «reconstituted» tobacco, tobacco extracts and essences, heated tobacco products, and nicotine-containing liquids for use in e-cigarettes;
- Jewellery and other items or their parts made of precious metals or metals plated with precious metals;
- Oil and oil products.

The objects of taxation are manufacture in the Kyrgyz Republic or import to the Kyrgyz Republic of excisable merchandise.

Tax base includes:

- Physical volume of excisable merchandise required to be marked with the excise duty stamp; and/or
- Physical volume of sold excisable merchandise not required to be marked with the excise duty stamp; and/or
- Physical volume of imported excisable merchandise not required to be marked with the excise duty stamp.

Basic rates of excise tax are approved by the Tax Code of the Kyrgyz Republic. Excise tax rates can be changed by the Kyrgyz Government to the extent that such rates do not exceed the basic rate of the excise tax.

6.5 Sales Tax

Payers of sales tax are domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic and sole proprietors.

The objects of taxation are sale of goods, performance of works, rendering of services.

Tax base includes the proceeds from sale of goods, works or services, net of VAT and sales tax.

The sales tax rates are:

1. For the sale of goods, works or services subject to and/or exempt from VAT and payable in cash (except banks and mobile operators):
 - a. **1%** for trading activities¹²⁴;
 - b. **2%** for other activities, aside from trading activities.
2. For the sale of goods, works or services payable in cash, if such sale of goods, works or services is not a supply subject to or exempt from VAT (except banks and mobile operators):
 - a. **2%** for trading activities;
 - b. **3%** for non-trading activities.
3. For the sale of goods, works or services subject to and/or exempt from VAT and payable in non-cash (except banks and mobile operators) – **0%**;
4. For banks - **2%**;
5. For mobile operators – **5%**.

¹²⁴ Trading activities mean the sale of goods purchased for sale.

6.6 Mining taxes

Mining taxes are:

- Bonuses;
- Royalties.

Bonuses are one-time payments for the right to engage in mineral exploration and mining activities.

Payers of bonuses are domestic entities or foreign entities operating through a permanent establishment in the Kyrgyz Republic or sole proprietors holding mineral rights, except specialized water supply organizations extracting and supplying groundwater for drinking purposes as well as for animal husbandry, crop production and fish farming purposes.

Tax base means:

- in case of mining of a mineral deposit (except groundwater) - the amount of mineral reserves recorded by the State Balance of Mineral Reserves of the Kyrgyz Republic;
- in case of groundwater mining - the declared amount of water to be mined;
- in case of exploration and prospecting for minerals - the size of the license area;
- in case of collecting mineralogical, paleontological samples for commercial purposes and stone material for decorative purposes and using as ornamental stones and building materials - the size of the license area;
- in case of transferring mineral rights, the amount of mineral reserves that have not been mined at that time in accordance with mineral right holder reports (mining rights), or the size of the license area;
- in case of change in share capital of the right holder - the amount of mineral reserves that have not been mined at that time in accordance with mineral right holder's reports (mining rights) or the license area,

in proportion to the change;

- in case of increase in the number of mineral reserves - the number of increased mineral reserves recorded by the State Commission on Mineral Reserves of the Kyrgyz Republic.

Rates of bonuses and procedures for their calculation are established by the Kyrgyz Government for all types of minerals according to the classification table depending on the amount of mineral reserves to be mined, as well as the size of the license area for prospecting and exploration of minerals and the collection of mineralogical, paleontological samples for commercial purposes and stone material for decorative purposes and use as ornamental stones and building materials.

Royalties are the current payments for the right to engage in production and/or extraction (recovery) of underground water.

Payers of royalties are domestic entities, foreign entities operating through a permanent establishment in the Kyrgyz Republic and sole proprietors engaged in:

- mining of mineral resources;
- extraction (recovery) of underground water;
- by-product extraction of oil and gas during test prospecting and exploration of hydrocarbons;
- occasional extraction of minerals for industrial experiment and testing and/or for disaster prevention and recovery.

Tax base includes:

- Proceeds, net of VAT and sales tax, from sale of mineral resources except metal-containing ores and concentrates of exchange-traded metals, or products resulting from the processing of mineral resources; and/or
- Volume of sold products in specie; and/or
- Volume of water extracted from subsoil according to water gauge –

for royalty payers except specialized water supplying entities;

- Cost of chemically pure metal contained in metal-containing ore or concentrate of exchange-traded metals sold during the tax period.

Rates of royalties are set forth in the Tax Code of the Kyrgyz Republic as a percentage of proceeds or as the amount in KGS per unit of volume depending on the type of a mined (extracted) mineral and the amount of mineral reserves.

6.7 Land tax

Payers of land tax are entities treated as land owners or users whose land use rights are certified by standard title documents and actual owners and/or users of land plots.

The objects of taxation are the ownership right and the temporary possession and use right to the agricultural lands and areas subject to land tax.

Tax base is the area of the land plot.

Basic rates of land tax are set forth in the Tax Code of the Kyrgyz Republic depending on the location and purposes of the land plots.

Land tax is calculated according to the formula set forth in the Tax Code of the Kyrgyz Republic for each of:

- agricultural areas;
- settlement lands and non-agricultural lands;
- orchard and garden areas,

by multiplying the area of the land plot by the basic rate of the land plot and applicable coefficients.

6.8 Property tax

Payers of property tax are entities and individuals that own taxable property such as:

- Residential property (residential houses, apartments, summer houses) meant for permanent or temporary residence and not used for business purposes (group 1);
- Residential property (residential houses, apartments, summer houses), boarding houses, holiday hotels, health resorts, resorts, production, administrative, industrial and other buildings and structures meant or used for business purposes (group 2);
- Temporary structures made from metal or other materials and used for business purposes, such as kiosks, sheds, and other similar property (group 3);
- Transport vehicles, including self-propelled machinery (group 4).

The objects of taxation are the property holdings.

Tax base includes:

- With respect to the property falling under groups 1, 2 and 3, taxable value of the property determined in the manner specified in the Kyrgyz Tax Code;
- With respect to the property falling under group 4:
 - a. engine capacity or book value for internal-combustion engine vehicles or those without such engine;
 - b. value determined in the manner established by the Kyrgyz Government for transport vehicles without internal-combustion engine and book value.

The property tax rates are:

- For property in group 1, the rate is **0.35%**;
- For property in groups 2 and 3, the rate is **0.8%**; and
- For property in group 4:
 - a. for internal-combustion engine vehicles or those without such engine, **a fixed amount** set forth in the Kyrgyz Tax Code **per 1cm³ of the engine capacity** of the taxable transport vehicle depending on its type and period of operation, or **0.5% of its book value**;

- b. for transport vehicles without internal-combustion engine and book value, **0.5% of the value determined in the manner established by the Kyrgyz Government.**

6.9 Deductions to the Social Fund of the Kyrgyz Republic

Payers of state social security contributions are:

- Legal entities, including foreign ones, regardless of their legal structure or type of ownership, and their standalone subdivisions (branches and representative offices);
- Peasant (husbandry) farms;
- Individual entrepreneur and Individuals.

Rates and base of social security contributions are set by the Law "On Tariffs of State Social Security Contributions" depending on the payer's status, tax regime, type of activity and other factors. For employers, the rates of social security contributions are set at **up to 17.25%** of all types of payments due to employees hired by them for permanent or temporary job. For employees, the rates of social security contributions are set at **up to 10%** of all types of payments due to employees. In such case, employers are responsible for the proper assessment, withholding and remittance of both parts of social security contributions.

Also, from January 1, 2019, the Social Fund's administrative functions with respect to state social insurance contributions were transferred to the State Tax Service under the Government of the Kyrgyz Republic. At the same time, the matters related to the collection, control over the calculation and payment of insurance contributions to the state social insurance fund, imposition of liability on the payers of insurance contributions for violating the state social insurance law are regulated by the tax law of the Kyrgyz Republic to the extent not covered by and not inconsistent with the state social insurance law, also, the payers of insurance contributions are equated to taxpayers, and control over the calculation and payment of insurance contributions is equated to tax control.

6.10 Mandatory fees and other charges

Additionally, Kyrgyz law imposes certain mandatory fees and other charges on business entities depending on their status and type of activity, such as customs duties (refer to section 15), license retention fees, waste disposal fees, local infrastructure development and maintenance fees, etc.

6.11 Special Tax Regimes

In addition to general tax regime, Kyrgyz law establishes special tax regimes for specified categories of taxpayers. These regimes are:

- Simplified single tax-based tax regime;
- Mandatory patent-based tax regime;
- Voluntary patent-based tax regime;
- Tax contract-based tax regime;
- Free economic zone tax regime;
- High-tech park tax regime;
- Simplified retail sales tax-based regime;
- Bitcoin mining tax.

Under simplified single tax-based tax regime, small and medium enterprises may pay single tax instead of profit tax or sales tax on their taxable income and also entities engaged in taxable import of goods with imputed assessment of import VAT pay single tax instead of income tax, sales tax and VAT on taxable supplies.

Single tax is charged at the following rates: (a) for entities engaged in taxable import of goods with imputed assessment of import VAT - 3% of the value of the goods; (b) for other entities eligible for simplified single tax-based tax regime, in case of engaging in agricultural products processing, production and trade, the rate is 4% of earnings in case of cash settlement and 2% in case of non-cash settlement, and (c) for other entities eligible for simplified single tax-based tax regime in case

of engaging in other activities not mentioned in point (b) above, the rate is 6% of earnings in case of cash settlement and 3% in case of non-cash settlement. Where the taxpayer is engaged in several undertakings, single tax is assessed and paid separately for each undertaking at the rates established for these undertakings.

It should be noted that simplified tax regime may not apply to the following categories: payers of excise tax, or patent-based tax, providers of financial and insurance services, investment funds, professional securities market participants; providers of catering services; providers of resort and spa services.

Mandatory patent-based tax regime applies instead of profit tax, VAT on taxable supplies and sales tax only to the providers of the following services: saunas and baths, except municipal ones, billiards, currency exchange offices, discotheques, all day parking, pawnshops, hair and beauty salons, private dentistry, billboard advertising, car washing services; and export of agricultural products.

Mandatory patent-based tax rates are set forth in the Kyrgyz Tax Code. Within these rates, the Government of the Kyrgyz Republic, in consultation with the relevant committees of the Jogorku Kenesh of the Kyrgyz Republic, may change tax rates no more than once a year, taking into account the location of facilities and/or the cost of services provided, except in the event of force majeure circumstances.

Voluntary patent-based tax regime applies instead of profit tax and sales tax only to individuals who are not VAT payers and only in respect of activities determined by the Kyrgyz Government. The base rates of voluntary patent-based tax are also determined by the Kyrgyz Government in consultation with the relevant committee of the Jogorku Kenesh of the Kyrgyz Republic upon recommendation by the competent tax authority.

Tax contract-based tax regime applies to entities (organizations and individual entrepreneurs) engaged in health resort, public catering and

residential construction business. Under this tax regime, a taxpayer and a competent tax authority execute a contract setting forth fixed amounts or fixed tax obligation on profit tax, sales tax and VAT expected to be paid by the taxpayer. At the same time, the amount of the tax obligation under the tax contract for public catering and health resort entities is determined on the basis of the results of the tax post, and the amount of the tax obligation for housing developers is determined by the total area of residential premises on the basis of a special formula using a flat tax rate of 900 som per 1 square meter of housing. Upon subsequent renegotiation of the tax contract, the amount of the tax obligation is assumed to be in excess of the amount of the tax obligation for the previous calendar year by at least 10%, except that this requirement does not apply to housing developers.

Free economic zones tax regime applies only to residents of free economic zones of the Kyrgyz Republic engaged in the production and sale of goods (works, services) except excisable goods, except for enterprises engaged in the production and sale of tobacco products subject to excise tax and VAT upon import to the rest of the Kyrgyz Republic, registered before 2000. Residents of free economic zones may be only organizations (re)registered with the General Directorate of free economic zones as well as branches (representative offices) previously registered with the FEZ General Directorate, prior to the entry into force of the Law of the Kyrgyz Republic «On Free Economic Zones in the Kyrgyz Republic» dated January 11, 2014 No. 6. Residents of free economic zones are exempt from all taxes except income tax and other taxes withheld and paid at source in respect of activities carried out by them in free economic zones. For the above tax benefits residents of free economic zones pay a fee of up to 2% of earnings to the General Directorate of free economic zones. With respect to activities carried out in the rest of the Kyrgyz Republic and abroad, residents of free economic zones are subject to general tax regime.

High-tech park tax regime applies only to residents of high-tech parks engaged in business or international trade, provided that they

comply with the requirements set forth in Kyrgyz law on high-tech park. Residents of high-tech parks are exempt from profit tax, VAT and sales tax for the period determined in accordance with Kyrgyz law on high-tech park, while employees of residents of high-tech park pay income tax at a reduced rate of 5%. The funding for the directorate of high-tech park comes from deductions from proceeds of its residents at the rate of 1%.

Simplified retail sales tax based tax regime allows individual entrepreneurs to pay retail sales tax instead of the income tax and sales tax.

Retail sales taxpayers must not be organizations or individual entrepreneurs who are VAT taxpayers and/or whose income exceeds the registration threshold for VAT for the last 12 months. Tax base is the proceeds from the sale of goods, services and works.

The retail sales tax rates are as follows:

1. 0% in the first year of operation after the date of choosing this tax regime;
2. in the second year of operation after the date of choosing this tax regime:
 - a. 1%, if paid in cash;
 - b. 0.5%, if paid in non-cash form;
3. in the third year of operation after the date of choosing tax regime:
 - a. 2%, if paid in cash;
 - b. 1%, if paid in non-cash form;
1. from the fourth year of operation after choosing this tax regime:
 - a. a) 3%, if paid in cash;
 - b. b) 1.5%, if paid in non-cash form.

Bitcoin mining tax. Payers of bitcoin mining tax are organizations and individual entrepreneurs engaged in computer operations using software and hardware that ensure the functioning of the ledger of transaction blocks (blockchain) by entering information on transactions

between users in the distributed ledge (according to predetermined rules and principles) requiring constant energy supply. Bitcoin mining tax must be paid instead of income tax, sales tax and VAT on taxable supplies. The bitcoin mining tax rate is 15% of the amounts charged for electricity consumed during mining, including VAT and sales tax.

6.12 Double Taxation Treaties

To avoid double taxation and prevent income tax and capital tax dodging, the Kyrgyz Republic has signed a number of bilateral treaties with a number of countries such as¹²⁵:

- The Republic of Kazakhstan;
- The Republic of Belarus;
- The Republic of Ukraine;
- The Republic of Tajikistan;
- The Republic of Uzbekistan;
- The Russian Federation;
- The People's Republic of Mongolia;
- The Republic of India;
- Canada;
- The Republic of Poland;
- Malaysia;
- The Republic of Turkey;
- The Swiss Confederation;
- The Islamic Republic of Iran;
- The People's Republic of China;
- The Republic of Austria;
- The Republic of Finland;
- The Republic of Moldova;

¹²⁵ Information taken from the website of the State Tax Service of the Kyrgyz Republic as of March 1, 2020: <http://www.sti.gov.kg>

- The Federal Republic of Germany;
- The Republic of Lithuania;
- The Republic of Latvia;
- The Republic of Korea;
- The United Arab Emirates;
- Qatar;
- Kuwait;
- Kingdom of Saudi Arabia;
- The Republic of Estonia;
- Turkmenistan.

7. ACCOUNTING AND AUDIT

Financial Reporting

In the Kyrgyz Republic, International Financial Reporting Standards developed by the International Accounting Standards Board (London) are applied as uniform basis rules for accounting and financial reporting. Small business enterprises may use simplified accounting and financial reporting rules established by the Kyrgyz Government.

Financial institutions operating in accordance with the principles of Islamic banking and finance use Islamic financial accounting standards adopted in accordance with Kyrgyz law.¹²⁶

Audit

In the Kyrgyz Republic, International Standards of Audit issued by International Federation of Accountants through the International Auditing and Assurance Standards Board (New York City, USA) are applied as auditing standards. Islamic financial institutions use the auditing standards for Islamic financial institutions developed by the Accounting and Auditing Organization for Islamic Financial Institutions, established and based in Manama, Bahrain.¹²⁷

Under Kyrgyz law, external audit is mandatory for banks and other organizations licensed by the National Bank of the Kyrgyz Republic, insurance organizations, public companies making initial public offerings of securities, investment funds, private pension funds, and such other persons as may be specifically set forth in Kyrgyz law. For other persons, audit is optional.

¹²⁶ Article 1 of the Law of the Kyrgyz Republic dated April 29, 2002 No. 76 «On accounting» (with the latest amendments as of December 7, 2017 No. 201 (6)).

¹²⁷ Resolution of the Government of the Kyrgyz Republic dated August 28, 2008 No. 470 «On International Standards on Auditing in the Kyrgyz Republic» (with the latest amendments as of October 31, 2019 No. 586).

There are more than 116 licensed audit companies operating in the Kyrgyz Republic.¹²⁸

¹²⁸ Information is taken from the website of the State Service for regulation and supervision of financial market under the Ministry of Economy and Finance of the Kyrgyz Republic as of March 1, 2021: <http://www.fsa.gov.kg/#/home>.

8. CURRENCY EXCHANGE CONTROL

The National Bank of the Kyrgyz Republic is the public authority responsible for the development and implementation of the uniform monetary policy and authorized to conduct currency transactions (the "National Bank")¹²⁹, including the purchase and sale of precious metals and foreign currency in foreign exchange markets, as well as the import (export) of precious metals and any currency without limitations for the purposes of managing international reserves and conducting monetary policy.

The national currency of the Kyrgyz Republic is the som, which is the only legal tender in the entire territory of the Kyrgyz Republic, mandatory for acceptance without limitations for all types of payments and monetary obligations.

The use of foreign currency and payment documents in foreign currency for settling financial obligations within the territory of the Kyrgyz Republic is allowed in cases and subject to procedures established by legislation. A monetary obligation may provide that it must be paid in a local currency equivalent of certain amount in foreign currency. In such case, the amount payable in a local currency is calculated at the official exchange rate of the National bank of the respective currency on the day of payment, unless other rate or date is set by the law or agreement of the parties.

Under the legislation of the Kyrgyz Republic, local resident may take loans and credits in any currency, as well as buy and sell foreign currency without restriction or unreasonable delay at authorized banks or currency exchange offices. Residents (individuals and legal entities) who received external loans (credits) must report to the statistics authorities and the National Bank to keep track of the private sector external debt. When receiving loans or opening accounts and deposits outside the Kyrgyz Republic, residents of the Kyrgyz Republic are required to register them

¹²⁹ National Bank of the Kyrgyz Republic, Banks and Banking Act, December 16, 2016 No. 206 (as last amended July 22, 2020 No. 85).

with the National Bank and, upon request, provide information on these accounts and deposits, declarations, other documents and information related to transactions in foreign currency.

On the 8th of May 1992, the Kyrgyz Republic joined the International Monetary Fund (IMF), and in March 1995 assumed obligations under Clause VIII of the IMF Agreement, under which the Kyrgyz Republic has to refrain from imposing restrictions upon currency rate in payments and transfers on current international transactions, as well as from discriminating currency regimes or multiple currency rate practices without the consent of the IMF.

Therefore, currency exchange control is quite liberal in the Kyrgyz Republic, as there are no restrictions upon:

- Transfer of foreign currency across borders;
- Currency import and export are not restricted if declared at customs points;
- National and foreign currency exchange transactions, including one-time transactions;
- Purchase and sale of foreign currency by residents and non-residents at duly licensed banks, credit unions, specialized financial and lending institutions holding appropriate licenses issued by competent public authorities;
- Current payments, operating revenues and cross-border transfer of capital.

That said, the National Bank has the right to restrict transfers of funds and capital to ensure observance of the Kyrgyz Republic's international obligations and economic security of the Kyrgyz Republic.

As mentioned above, residents of the Kyrgyz Republic must register¹³⁰ with the National Bank their accounts and deposits opened in foreign banks, and quarterly by the 15th day of the month following the

¹³⁰ Article 39, National Bank of the Kyrgyz Republic, Banks and Banking Act, December 16, 2016 No. 206 (as last amended July 22, 2020, No.85).

reporting quarter, must submit account statements as of the end of the preceding quarter¹³¹. Notices can be sent by mail (registered mail) or delivered to the expedition of the National Bank by hand. If necessary, the National Bank may request more detailed information on these accounts or deposits.

The purpose of the National Bank's requirement for registration of accounts and deposits opened by residents of the Kyrgyz Republic with foreign banks is to improve the information base necessary for compiling the balance of payments of the Kyrgyz Republic. The balance of payments means statistical reporting, which reflects the aggregate data on international economic transactions of the Kyrgyz Republic with other countries of the world for a certain period of time.

¹³¹ Regulation on registration of accounts and deposits of residents of the Kyrgyz Republic opened with foreign banks approved by the Resolution of the Executive Board of the National Bank of July 5, 2000 No. 26/2 (with the latest amendments dated June 14, 2017 No. 2017-P-10/24).

9. BANKING SYSTEM

State Regulation

The banking system of the Kyrgyz Republic consists of the National Bank of the Kyrgyz Republic, commercial banks and other financial and lending institutions. Banking activities are regulated by the Law of the Kyrgyz Republic "On the National Bank of the Kyrgyz Republic, Banks and Banking Act" enacted on December 16, 2016, No. 206 and effective June 22, 2017 which embodies a number of previous regulations.

The National Bank is a central bank of the Kyrgyz Republic owned by the Kyrgyz Republic. The goal of the National Bank is to achieve and maintain price stability by pursuing the appropriate monetary and credit policy. The primary tasks aimed at achieving the goal of the National Bank are to maintain the purchasing power of national currency and to ensure efficiency, safety and security of banking and payment systems of the Kyrgyz Republic in order to promote long-term economic growth of the republic.

The governing bodies of the National Bank are:

1. The Executive Board of the National Bank, a chief governing body;
2. The Chairman of the National Bank, a chief executive officer.

The Executive Board of the National Bank is a collegial body responsible for the overall strategy, direction and management of the National Bank. The Executive Board of the National Bank consists of the Chairman of the National Bank, three Deputy Chairmen and three members of the Executive Board of the National Bank. The Executive Board of the National Bank functions on a permanent basis.

The National Bank issues normative legal acts forming an integral part of the banking legislation of the Kyrgyz Republic. Normative legal acts of the National Bank directly affecting the interests of individuals and legal entities, as well as regulating entrepreneurial activity must be officially published in the manner prescribed by the legislation of the Kyrgyz

Republic in the official gazette and on the official website of the National Bank (www.nbkr.kg).

The powers and functions of the National Bank are: to oversee the banking system of the Kyrgyz Republic, including banks and other legal entities supervised by the National Bank; to determine and pursue monetary policy, to promote financial stability of the Kyrgyz Republic; to develop and pursue single currency policy; to release banknotes on an exclusive basis; to undertake various types and principles of bank financing; to oversee the payment system, to facilitate the effective, reliable and safe operation of the payment system of the Kyrgyz Republic; to issue approvals and permits; to establish banking transaction rules; to act as the lender of last resort to banks; to own and manage all international reserves; to prepare a balance of payment statement together with the statistics authority, and to determine the international investment position of the Kyrgyz Republic; to draft and issue normative legal acts; to represent and act on behalf of the Kyrgyz Republic at international forums, conferences and organizations related to monetary and credit policy, banking and payment systems; to conduct banking transactions; to release (issue) electronic money; to protect banking consumer rights; to exercise other powers in accordance with the legislation of the Kyrgyz Republic.

Monetary and credit policy

Monetary and credit policy is determined and carried out by the National Bank. When conducting monetary policy, the National Bank may interact with the Government of the Kyrgyz Republic. The National Bank independently and in cooperation with the Government of the Kyrgyz Republic develops and implements measures aimed at ensuring the financial stability of the Kyrgyz Republic, including macroprudential regulation.

The National Bank regulates the size and structure of the money supply by using the following instruments: buying and selling securities issued and guaranteed by the Government of the Kyrgyz Republic; buying and

selling securities issued and guaranteed by the National Bank; buying and selling foreign currency; making loans to banks; changing the National Bank balances and reserve requirements; and other requirements and internationally recognized methods and tools in the field of liquidity regulation.

Establishment and Licensing of Banks

A bank can be established and operate only as a joint-stock company (whether closed or open) and the amount of its charter capital must be not less than KGS 600 million (or approximately USD 9 million).

A bank may conduct the following banking operations in national and/or foreign currency to the extent expressly provided in the license:

- Accepting deposits on its own behalf on a contractual basis;
- Investing own or borrowed funds on its own behalf on a contractual basis;
- Opening and maintaining accounts;
- Providing settlement, payment and cash services to customs and correspondent banks at their request;
- Issuing, buying, cashing, accepting, keeping, and confirming payment instruments (cheques, letters of credit, promissory notes, and other), including credit and debit cards;
- Buying the creditor's rights in accounts receivable (factoring);
- Paying off debt by buying promissory notes and bills of exchange (forfaiting);
- Issuing and placement of debt securities;
- Issuing bank guarantees;
- Providing money transfer services of clients, including without opening an account;
- Providing correspondent banking services;
- Providing foreign currency account services and buying and selling (exchanging) foreign currency on behalf of its clients;

- Buying and selling (exchanging) foreign currency on its own behalf;
- Making transactions in precious metals (silver, gold and platinum bars and coins);
- Making transactions in derivative financial instruments (derivatives);
- Issuing electronic money;
- Accepting and making payments and settlements for goods and services, which are other than the outcome of its activities, in favor of third parties through payment systems based on information technology and on electronic means and methods of payment;
- Acceptance, processing and delivery of financial information (processing, clearing) about payments and settlements of third parties to participants of the payment system of this processing and clearing center.

Banks may engage in the following activities and transactions:

- Issuing surety bonds and other obligations in favour of third parties;
- Issuing, buying or selling securities, and providing securities servicing and depository services;
- Providing non-cash assets trustee services;
- Providing safe deposit box services;
- Selling collateral securing a bank loan;
- Providing investment services;
- Providing banking consulting services;
- Providing financial leasing services;
- Providing financial agent services.

Banks may undertake other activities permitted by law and not inconsistent with banking regulations of the Kyrgyz Republic. A bank may undertake only that activity which is necessary for its principal business activity or related to banking services.

A bank may engage in other types of licensable activities subject to the consent of the National Bank.

Foreign banks may set up their representative offices, subsidiaries and joint ventures in the Kyrgyz Republic with the consent of the National Bank. Branches of foreign banks must obtain the license from the National Bank.

Lending services

A bank must provide lending services in compliance with responsible lending policy and banking regulations of the Kyrgyz Republic. A bank must have in place a lending policy approved by its Board of Directors and an effective credit risk management system. The Board of Directors must periodically (at least once a year) revise the bank's lending policy, credit exposure limits, credit risk management tools and procedures, and internal credit risk management control and audit policies. A bank must provide lending services subject to the National Bank requirements for lending and credit risk management policies. Islamic investment services must be provided in accordance with the banking regulations of the Kyrgyz Republic subject to specifics and peculiarities of Islamic principles of banking and finance.

Mandatory deposit protection system

Participation in deposit protection system is mandatory for all banks operating in the country. The functions of deposit protection system, formation and use of Deposit Protection Fund, payment of deposit protection compensations, relations among competent deposit protection authority, banks, National Bank, and other public authorities, and as other related matters are regulated by the Bank Deposit Insurance Act. A bank may choose to use additional deposit protection schemes applied in international banking practices.

Bank investments

A bank may undertake investments subject to the following requirements and restrictions:

1. a bank's participation in a non-bank financial institution must be

undertaken as a long-term investment;

2. a bank's investment in each non-bank financial institution, including any financial inputs and loans, must not exceed 15% of the bank's equity (regulatory) capital. The total amount of such investments may not exceed 60% of the bank's equity (regulatory) capital;
3. the size of the bank's investment in real estate must not exceed specified limits;
4. related persons must be treated as one person.

Standards and Regulations for Banks

The National Bank establishes standard requirements for banks, including minimum capital and reserve funds requirements. The National Bank also establishes mandatory requirements for officers of commercial banks (chairman and members of the Board of Directors, chief executive officer, deputy chief executive officer, and members of the Executive Committee, chairman of the Audit Committee, chief credit officer, chief accountant, internal auditor and others) who are appointed with the consent of the National Bank.

Foreign-owned banks are subject to the same requirements as domestic banks, including minimum authorized capital, minimum reserve funds and other requirements.

Bank audit

Banks are subject to annual external audit in accordance with international standards on auditing. The bank's Board of Directors must select and propose prospective audit firm or auditor candidates to the general meeting of shareholders. The National Bank may reject the audit firm or auditor candidates as inconsistent with the bank audit requirements and notify the bank thereof within at least 10 business days from the date of receiving the notice. The bank's external auditor can be only the audit firm holding the respective license to provide bank audit services in the Kyrgyz Republic and meets the bank audit

requirements of the National Bank.

The external auditor must be independent from the bank, which means the ability to act independently and freely from outside influence on the audit results, findings and opinions, under conditions preventing any outside influence on the external auditor's ability to express its opinion. The audit services contract must contain a disclaimer that the audit firm or any of its auditors or other employees has no interests in the bank, is independent and not bound by any relationship with the bank and its officers.

Bank Secrecy

The provision of confidential banking information by banks is regulated by the Kyrgyz National Bank, Banks and Banking Act.

Confidential banking information includes any data provided by the client to the bank or created by the bank in the course of providing banking services or otherwise arising from relationships between the bank and the client, including their pre-contractual relationships.

Confidential banking information may be provided by the bank for use and such provision does not constitute the provision and disclosure of bank secrecy, to the extent that it is provided to the following persons and used for the following purposes:

1. to bank employees in order to perform their official duties related to the bank's principal business;
2. to persons providing services to the bank in connection with the bank's business if such information is necessary for such services;
3. to a person exercising control over the bank in order to prepare the consolidated report;
4. to the court hearing the disputes between the bank and the client in the case and to the extent necessary to protect their rights and legitimate interests. At the request of the bank or its client, the hearing may be held in camera.

That said, the bank must ensure protection and privacy of confidential banking information provided to the above persons.

Exchange of confidential banking information

To minimize credit risks and to exchange information, banks and other financial and lending institutions are required to exchange credit information on their customers through a credit bureau (Ishenim Credit Bureau CJSC) and other credit bureaus. In addition, banks are permitted, by agreement, to share confidential banking information with each other.

The provision and circulation of confidential banking information for the purposes listed in the legislation on exchange of credit information are not regarded as disclosure of bank secrecy. Banks may provide confidential banking information to credit bureaux (and vice versa) with the consent of their clients who are owners of credit information.

Anti-Money Laundering and Counter-Terrorism Financing Measures

According to the law, financial institutions and non-financial entities must make a suspicious transaction reporting to the Financial Intelligence Unit in the following cases:

1. if a reporting entity suspects or has reasonable grounds to suspect that funds are the proceeds of a criminal activity (include predicate offences), or are related to money-laundering;
2. if a reporting entity suspects or has reasonable grounds to suspect that funds are related to the financing of terrorist or extremist acts, terrorist or extremist organisations or individual terrorists or extremists.

All suspicious transactions should be reported regardless of the amount of the transaction, committed or attempted, within **5 hours** after identifying such transactions.

Also, financial institutions and non-financial entities must report to the Financial Intelligence Unit any operations (transactions) with individuals or legal entities registered or operating in high-risk countries¹³² and any operations (transactions) carried out by individuals who have been convicted of money laundering or terrorist or extremist financing offences, regardless of the amount of the operation (transaction), within **2 business days** from the date of carrying out such operation (transaction).

Financial institutions and non-financial entities must report to the Financial Intelligence Unit any cash operations (transactions) in an amount equal to or exceeding the threshold amount. The list of cash operations (transactions) and their threshold amount are established by the Government of the Kyrgyz Republic considering the results of the national risk assessment.

Financial institutions include mortgage companies; commercial banks; credit unions; leasing companies; pawnbrokers; microfinance organizations (micro-credit agencies, micro-credit companies, microfinance companies, specialized financial and credit institutions); accumulative pension funds; exchange bureaus; payment system (e-money processing) operators; reinsurance organizations and brokers; payment service providers; postal service organizations; securities market professionals; home savings and loan companies; insurance organizations; insurance brokers; commodity exchanges; e-money issuers and agents (distributors).

Non-financial entities include: public and private notaries; private lawyers (entrepreneurs), law firms and their employees providing professional services related to the preparation or execution of operation (transaction) on behalf of or under the instructions of their client on a contractual basis; realtors (agents, brokers, intermediaries, real estate sales agencies, real estate trusts); individuals or legal entities carrying out transactions involving precious metals and stones, jewellery, and

precious metal scrap; individuals or legal entities providing services related to the establishment or management of companies.

The list of financial institutions and non-financial entities kept in the electronic database is compiled and published by a competent public authority determined by the Government of the Kyrgyz Republic.

Deposit Insurance

Under the Law of the Kyrgyz Republic "On Bank Depositor Protection", there has been established a Deposit Insurance Fund which is administered by the Deposit Insurance Agency.

When an insurance contingency occurs, each depositor shall be paid a compensation of not more than KGS 200 thousand (about USD 3,000 as of 2019) in total, including interests on deposits.

An insurance contingency means a bank's failure to repay a deposit due to its liquidation or bankruptcy. The Law also provides for a category of deposits not subject to protection, for example, deposits of bank insiders and affiliates, deposits made under the power of attorney issued by a legal entity, deposits associated with the financing of terrorism and proceeds of crime (money-laundering), etc.

Banking Services

In the Kyrgyz Republic, pursuant to the data of the National Bank, there are 24 registered commercial banks, including a branch of the National Bank of Pakistan. Also, there is a representative office of the International Bank in the Kyrgyz Republic.

According to the World Bank's Report, 'Doing Business', 2018, the Kyrgyz Republic ranks 80th (in 2019, 70th) out of 190 countries in the world in terms of ease of doing business and 15th (last year 32nd) in the world in terms of ease of access to loans.

132 <https://fiu.gov.kg/uploads/5c51ce544cc2c.pdf>

Principles of Islamic Finance in Kyrgyzstan

Along with traditional banking services, Islamic finance is actively developing in Kyrgyzstan. In May 2006, the Kyrgyz Republic, the Islamic Development Bank and EcolslamicBank CJSC signed a Memorandum of Understanding on introduction of Islamic banking and finance principles in the Kyrgyz Republic. The parties to this Memorandum agreed to ensure phased introduction of the Islamic banking and finance principles in the banking system of the Kyrgyz Republic as an alternative to conventional financing principles.

In December 2016, the Kyrgyz Civil Code was amended to include the Islamic finance principles effective mid-2017. Formerly, Islamic banking services were regulated by the acts of the National Bank.

Many financial and lending institutions have the Islamic finance windows and/or have plans to fully convert to Islamic finance. In addition, there are microfinance and leasing organizations offering only Islamic finance services.

10. EMPLOYMENT RELATIONS

Labour Law

The principal legal act regulating employment relations is the Labour Code of the Kyrgyz Republic¹³³.

Treaties and other international law instruments ratified by the Kyrgyz Republic constitute an integral part of the current Kyrgyz law and are binding in their entirety and directly applicable in the Kyrgyz Republic. It must be noted that the rules of the treaties ratified by the Kyrgyz Republic which are more favourable to employees shall prevail over the rules set forth in the laws and other regulatory acts of the Kyrgyz Republic, contracts or collective agreements.

Employment Contract

An employment contract is an agreement between an employee and an employer whereby the employer undertakes to provide the employee with the work agreed on, to ensure proper working conditions as required by Kyrgyz law, collective agreement, contracts, internal regulations containing labour law provisions, to timely and fully pay salary to the employee, and the employee undertakes to personally perform their job functions in the relevant area of practice or official capacity and to observe the internal labour regulations.

An employment contract is executed in writing, in two counterparts signed by both parties. The hire of an employee is completed within three days by the order (instruction or resolution) of the employer based on the employment contract.

An improperly executed employment contract may nevertheless be deemed concluded, if an employee has actually set to work with the consent and on the instruction of the employer or its representative. However, permitting the employee to work does not relieve the

¹³³ Labor Code of the Kyrgyz Republic, August 4, 2004, No. 106 (with the latest amendments as of December 31, 2019).

employer of the obligation to conclude a written employment contract with such employee.

Employment contracts are concluded for an indefinite period or definite period (of not more than 5 years for fixed-term employment contracts) or such other period as may be set forth in Kyrgyz law.

The fixed-term employment contract is entered into if employment relationship cannot be established for an indefinite period given the nature and conditions of the work to be performed, unless otherwise provided by Kyrgyz law. Labour law sets forth specific cases when an employment contract may be concluded for a definite period.

Unless the term of the employment contract is specified therein in writing, such contract is deemed concluded for an indefinite period. If neither party demands the termination of the fixed-term employment contract due to its expiration, and the employee continues to work after its expiration, the employment contract is deemed concluded for an indefinite period.

Employers are prohibited from concluding fixed-term employment contracts without good cause to avoid offering employee rights and benefits guaranteed under Kyrgyz law.

Probationary Period

When concluding an employment contract, the parties may agree to the inclusion of a probationary period clause to determine if an employee is suitable for a particular job. The probationary period may not exceed three months for general staff and six months for executive staff including senior managers and their deputies, senior accountants and their deputies, chiefs of branches, representative offices and other standalone subdivisions, unless otherwise provided by Kyrgyz law. The probationary period may not be extended even with the employee's consent. Labour law sets forth specific cases when a probationary period clause is not applicable.

If the employee's performance on probation is not satisfactory, the employer may terminate the employment contract by giving at least 3 days' prior written notice to the employee stating the reasons for considering the employee to have failed to satisfactorily complete the probationary period.

If during the probationary period the employee determines that this job is not suitable for them, the employee may terminate the employment contract by giving 3 days' prior written notice to the employer without stating the reasons for such termination.

If before expiration of the probationary period the employer made no decision to terminate employment, the employee is considered to have satisfactorily completed the probationary period and the employment contract can be subsequently terminated on the general grounds.

The probationary period does not include temporary disability and other periods when an employee is actually absent from work.

Job Transfer

A transfer to a different permanent position with the same employer at the employer's initiative, i.e. a change in employment functions or material terms of the employment contract, as well as a transfer to a permanent position with another employer or to another location together with the employer is allowed only with the written consent of the employee. The transfer of an employee to a job contraindicated for that employee due to their health condition is prohibited.

Termination of Employment Contract

Kyrgyz law provides a conclusive list of the grounds for terminating an employment contract. The termination of the employment contract is made by a respective order (instruction, resolution) of the employer.

Working Time and Rest Time

Working time is the period of time during which an employee performs

their employment duties in accordance with the internal working regulations or work schedule or terms of the employment contract.

The legislation limits the working hours per day, per week, per month.

Working time may vary as follows:

- Normal;
- Short-time;
- Part-time.

Normal working time may not exceed 40 hours per week, with the exceptions specified in the Kyrgyz Labour Code. Fewer hours per week may be specified in employment contracts by agreement of the parties.

Short-time work means working fewer hours than normal ones. It is limited to the following maximum working hours for the following categories of employees:

- maximum 24 hours per week for employees aged 14 to 16; maximum 36 hours per week for employees aged 16 to 18;
- maximum 36 hours per week for workers engaged in physically demanding labour or exposed to harmful or dangerous working conditions;
- maximum 36 hours per week for employees with disabilities of groups I and II who are paid at the same rate as the employees working normal hours.

Employees may work on a part-time basis by agreement of the parties and are paid in proportion to hours worked or output produced. The Kyrgyz Labour Code specifies a conclusive list of persons who are entitled to fewer hours per week or per day at their request.

A five-day working week and two-day weekend or a six-day working week and one-day weekend is determined by the internal working regulations or watch schedules approved by the employer in consultation with the employee representative body. In case of a six-day working week the

maximum working hours per day or watch may not exceed: 7 hours per 40-hour working week, 6 hours per 36-hour working week, and 4 hours per 24-hour working week. The day before a holiday and at night, the working time is 1 hour less.

Rest time is time when employees take a break from work and may do whatever they choose.

Types of rest time are:

- breaks during the working day or shift;
- daily rest or rest between shifts;
- weekly rest (days off);
- non-working public holidays;
- leaves of absence.

During their working day or shift, employees have the right to one rest and meal break of minimum 30 minutes and maximum 1 hour not counted as time worked. The time and duration of breaks are stipulated in staff regulations or agreement between the employer and the employee. Some employees have the right to specific rest breaks during work time if so required by the technology, organization or conditions of work. The types of such work and duration of such breaks are stipulated in staff regulations.

Employees have the right to uninterrupted weekly rest (days off). Days off are rest days during the working week. Employees who work a 5-day week are entitled to 2 days off per week; those who work a 6-day week are entitled to 1 day off per week.

Non-working public holidays in the Kyrgyz Republic are:

- January 1 – New Year's Day;
- January 7 – Christmas Day (Orthodox Christmas);
- February 23 – Defender of the Fatherland's Day;
- March 8 – International Women's Day;

- March 21 – Nooruz National Holiday;
- April 7 – People's April Revolution Day;
- May 1 – Labor Day;
- May 5 – Kyrgyz Constitution Day;
- May 9 – Victory Day;
- August 31 – Independence Day; and
- November 7 and 8 – Ancestors' History and Memory Days.

Islamic holidays of Orozo-Ait and Kurman-Ait (celebrated according to the lunar calendar) are non-working public holidays.

When a non-working public holiday falls on a day off, it is carried over to the next working day.

Employees are entitled to 1 annual paid leave of 28 calendar days. The annual paid leave longer than 28 days (extended annual leave) is granted to employees in accordance with the Labor Code and other laws of the Kyrgyz Republic.

The time on leave is counted as calendar days. If non-working public holidays occur during the leave period, these days will not be included in the leave period and will not be paid. The leave record card must be kept for each employee to reflect all data about leaves taken. The leave is documented by the order (instruction, resolution) or leave memo issued by the employer or its authorized person.

Employees may be granted a leave without pay upon request for family or other valid reasons. The duration of such leave is determined by agreement between the employer and the employee. The employer must grant such leave in cases provided by the Labour Code such as birth of a child, registration of marriage, death of close relatives, etc.). While on leave without pay, employees retain the right to their jobs (positions). The Labour Code prohibits employers from directing employees to take leave without pay.

Compensation of Employees

Compensation of employees refers to wages paid by employers to employees for work done in accordance with laws, other regulatory acts, collective bargaining agreements, arrangements, internal regulations and employment contracts.

Wage is monetary remuneration (compensation) paid by an employer to an employee in exchange for work done depending on its complexity, quantity, quality, conditions and employee's qualification plus compensations and incentives (for example, premiums).

Wage is paid in cash in the national currency of the Kyrgyz Republic (KGS). Employers may not pay compensation of employees with promissory notes, debt instruments, ration cards, or other similar money substitutes.

Minimum Amount of Compensation

A minimum wage (minimum compensation of employees) refers to a guaranteed monthly wage paid to an unskilled employee who completed minimum hours of ordinary work in ordinary working conditions.

A minimum compensation of unskilled employees is established by law and applies throughout the territory of the Kyrgyz Republic and cannot fall below subsistence level of an individual able to work.

In the Kyrgyz Republic, as of 2021, a statutory minimum wage is KGS 1,854 (approximately USD 22 as of January 2021), for 2022, a statutory minimum wage is KGS 1,970 (approximately USD 24 as of January 2021).

A monthly compensation of an employee who has completed minimum hours of work over the given period and performed their employment duties may not fall below the statutory minimum wage.

A minimum wage does not include surcharges and bonuses, premiums and other incentive payouts, as well as payments for working in abnormal or particular climatic conditions or areas exposed to radioactive pollution, nor does it include other compensatory and social welfare payments.

Due Date and Procedure for Payment of Wage

Due dates for payment of wage are established by a collective agreement or internal regulations of an employer. Wage is paid at least once every calendar month.

At the time of payment of wages, employers must notify employees in writing of all amounts comprising the wage and payable to them for the given period of time, the amounts withheld and the grounds for withholding, and the amount receivable.

Wages may be paid to employees at place where they perform work or may be transferred to bank account specified by them as set forth in the collective agreement or employment contract.

Wages are paid to employees directly, except as otherwise provided by law or employment contract, for example, via a proxy.

If a regular payday falls on a weekend or public holiday, wage is paid on the day preceding the weekend or holiday. Vacation pay must be paid at least 3 days prior to such vacation.

In case of employers' failure to pay wages, vacation pays or other amounts payable to employees when due, such amounts will bear interest of 0.15% of the amount outstanding as of the date of actual payment per each calendar day of delay.

In case of employers' failure to pay all amounts payable to discharged employees when due will bear interest of 0.5% of the amount outstanding as of the date of actual payment per each calendar day of delay.

In 2015, to balance the interests of the employee and the employer, the Government of the Kyrgyz Republic made amendments to labor legislation whereby the maximum default interest (0.15% and 0.5%) was limited to 200% of the principal. This maximum default interest limitation applies only to the period from the date of default to the date of receipt of the claim for payment of salary, leave allowance or other

overdue amounts payable to the employee. After the date of receipt of the claim, the maximum default interest limitation does not apply and the default interest accrues until the date of actual settlement.

Extra pay for dual employment/multiple jobs or replacement of temporarily absent employees is determined by agreement between the employer and the employee but may not be below 30% of the gross wage payable for extra job.

Employees working at night must receive extra pay for each hour but not less than one and one-half times the regular pay rate.

Employees working overtime must receive extra pay of at least one and one-half times the regular pay rate for the first two hours and double time pay thereafter.

Employees working on day off or non-working public holiday must receive extra pay of at least double time pay.

Employees having idle time through the fault of the employer must receive at least two-thirds of the regular pay rate. Employees having idle time through no fault of the employer and the employee must receive at least two-thirds of the regular pay rate (gross wage). Employees having idle time through their own fault receive no pay.

Labour Dispute Resolution

A party of the employment contract (an employer or an employee) which inflicted damages on the other party must reimburse it for such damages as provided by Kyrgyz labour law. The amount of damages may be specified in the employment contract or other agreements executed in writing and attached thereto. In which case, damages payable by the employer to the employee under the contract may not be less and damages payable by the employee to the employer under the contract may not be more than the amount specified in the Labour Code or other laws of the Kyrgyz Republic. Termination of the employment contract after infliction of damages does not relieve the contracting party of liability.

Individual labour disputes, i.e. unresolved disagreements between the employer and the employee, are referred to labour dispute committees established within the employers (having 10 or more employees), or labour inspection authority or courts of the Kyrgyz Republic. The employee may at its own discretion choose one of these authorities to resolve a labour dispute. If there is no labour dispute committee, such dispute will be referred to the labour inspection authority or court.

Generally, the period for referring disputes to the above authorities is 3 months from the date of becoming aware of a violation of rights or 2 months from the date of receiving the notice of dismissal or the date of handing over the service book in actions for wrongful dismissal. In actions for unpaid wages, the period of limitation does not apply.

Employer's Liability

An employer incurs liability for damages caused to its employees by an occupational injury or disease or other health impairment arising out of employment and occurring both on and off site or on the way to or from work in a transport vehicle provided by the employer.

Employment of Foreign Nationals

Foreign nationals employed in the Kyrgyz Republic are subject to the requirements of the Labour Code, other laws and regulations of the Kyrgyz Republic containing the provisions of labour law, unless otherwise provided by Kyrgyz laws or treaties.

Employees of legal entities based in the Kyrgyz Republic and fully or partially founded or owned by foreign companies or nationals (including subsidiaries of transnational corporations) are subject to the requirements of laws and regulations of the Kyrgyz Republic containing the provisions of labour law, unless otherwise provided by Kyrgyz laws or treaties.

Rights of Foreign Employees

Foreign employees have the right to use their ability to work and to choose their trade, occupation or profession freely provided that they have a proper proof of education or experience and other supporting documentation.

Work Permit

Employers may hire and employ foreign nationals on the basis of employment permits while foreign nationals may work or do business in the Kyrgyz Republic (except nationals of the Russian Federation, Republic of Kazakhstan, Republic of Belarus, Republic of Armenia¹³⁴) on the basis of employment quotas and work permits. The competent authority responsible for issuing quotas to employers to hire foreign employees and work permits to foreign employees is the State Migration Service under the Government of the Kyrgyz Republic.

There is a fee to apply for work permits collected by the migration authority to cover the cost of issuing such permits. The cost of work permits is determined by the Kyrgyz Government.

The foreign worker quotas are set and approved by the Kyrgyz Government annually 4 months before the beginning of the calendar year taking into account the public interest and the local labour market situation. The foreign worker quotas are distributed by the State Migration Service of the Kyrgyz Republic among the employers hiring foreign nationals and stateless persons to work in the Kyrgyz Republic with due regard being given to their input in the country's economy and with preference in filling vacancies being given to Kyrgyz nationals.

¹³⁴ Under the Treaty on the Eurasian Economic Union dated May 29, 2014, employees working in its member states are not required to receive permits to work there.

11. REAL PROPERTY

Real Property Law

Under Kyrgyz Civil Code,¹³⁵ real property refers to land, minerals, water, forests, perennial plantings, buildings, structures and everything firmly attached to land, i.e. objects that cannot be moved without destroying or altering them. The state registration of real property rights is performed by the Cadaster State Institution under the State Agency for Land Resources under the Government of the Kyrgyz Republic¹³⁶.

Real property rights and encumbrances, as well as real property transactions are subject to mandatory state registration. The registration procedure is set forth in the Kyrgyz Law "On State Registration of Immovable Property Rights and Transactions"¹³⁷ and the Rules on state registration of rights and encumbrances (restrictions) on real estate rights and transactions¹³⁸. Under Kyrgyz law, state registration is mandatory for the following rights:

- Right of ownership;
- Right of business management;
- Right of operational control;
- Right of permanent (with no fixed term) use of land;
- Rights arising from mortgage, including statutory mortgage or pledge;
- Right of temporary use, lease or sublease for the term of 3 years or more;

¹³⁵ Article 24 of the Civil Code of the Kyrgyz Republic (with the latest amendments as of August 1, 2020).

¹³⁶ Regulation on Cadaster State Institution under the State Agency for Land Resources under the Government of the Kyrgyz Republic approved by the Resolution of the Government of the Kyrgyz Republic dated July 20, 2019 No. 382.

¹³⁷ The Law of the Kyrgyz Republic "On State Registration of Immovable Property Rights and Transactions" dated December 22, 1998, No. 153 (with the latest amendments as of August 6, 2018).

¹³⁸ Approved by the Resolution of the Government of the Kyrgyz Republic of February 15, 2011 No. 49 (with the latest amendments as of September 16, 2019).

- Easements;
- Restrictions of rights to design, construct and use an individual unit of immovable property, except restrictions imposed on immovable property by the laws and other regulatory acts of the Kyrgyz Republic;
- Rights arising from court decisions;
- Right of use of natural resource listed in Kyrgyz laws;
- Rights arising from legalization of property;
- Other rights subject to registration at present or in the future under the Civil Code and other normative legal acts of the Kyrgyz Republic.

The following rights and restrictions are valid regardless of their registration or non-registration, but are not secured state protection:

- Right of access to electric power lines, telephone and telegraph lines and poles, pipelines, geodesic points and other rights pertaining to a matter of public concern;
- Rights of spouses, children, and other dependents, established by Kyrgyz laws, even if these rights were not registered independently;
- Right of temporary use, lease or sublease for the term of less than 3 years;
- Right of preferential use of real property by its actual users established by Kyrgyz law;
- Rights of tax authorities established by Kyrgyz law;
- General restrictions and prohibitions (related to health care, public security and environmental protection) set forth in Kyrgyz law.

Land Relations

The principal regulatory act governing land relations in the Kyrgyz Republic is the Land Code of the Kyrgyz Republic¹³⁹ according to which, the land fund in the Kyrgyz Republic comprises the following:

- Agricultural land including farmland and land occupied by on-farm

¹³⁹ The Land Code of the Kyrgyz Republic of June 2, 1999, No. 45 (with the latest amendments as of January 6, 2021).

roads, communications, water reservoirs, buildings and structures necessary for farming;

- Residential land (in towns, urban villages, and rural settlements);
- Industrial, transport, communications, defence and other infrastructure land;
- Specially protected areas;
- Forest land;
- Water-related land;
- Reserve land.

The conversion (transformation) of land from one category into another is set forth by the Land Code of the Kyrgyz Republic, the Law of the Kyrgyz Republic “On Conversion (Transformation) of Land Plots”, and the Provisional Regulation on procedure for conversion (transformation) of land plots.¹⁴⁰

Receiving the Right to Land

There are two ways to receive the right to land under Kyrgyz law:

- Transfer of the right to own or use a private land by an owner or user of this land under a civil transaction;
- Transfer of the right to own or use a public or municipal land by a competent authority.

Model Regulations setting forth the terms and conditions of the fee-based transfer of the right to own or lease municipal lands were adopted on September 23, 2011 under Kyrgyz Government Resolution No 571.

The right to land may be sold through auction, tender or direct sales by the land commission established for this purpose.

¹⁴⁰ The Law of the Kyrgyz Republic “On conversion (transformation) of land plots” dated July 15, 2013, No. 145 (with the latest amendments as of December 26, 2020) and the Interim Regulation on procedure of conversion (transformation) of land plots dated July 30, 2019 No. 169.

The right to land may be sold through direct sales in the following cases:

- a. If there is a private building or facility, including incomplete construction, on the land plot previously provided for fixed-term (temporary) use;
- b. If the land plot was put up for auction twice but was not leased out;
- c. If the land plot adjoins (borders) with part of a private building or facility for the construction of an entrance to, improvement or extension of the said objects, provided that the said land plot cannot be formed as a standalone unit of real property and the transfer of rights over such land plot to third persons may entail violation of rights of owners of these building or facilities;
- d. If the land plot adjoins (borders) with part of a private building or facility or is close to it, and is needed for setting up and maintaining parking lots, when the transfer of rights over such land plot to third persons may entail violation of rights of owners of these buildings or facilities.

As a result of the auction or direct sales, the parties execute the land purchase and sale agreement or the land lease agreement.

The agreement must be registered with the local registration authority and does not require notarization.

Residential Property

Citizens and legal entities have the right to own residential property without limitation¹⁴¹.

Receiving the Right to Residential Property

The grounds for creation of rights and obligations in respect of the residential property are:

1. acts of governmental and local authorities;
2. contracts and other transactions stipulated by law;

¹⁴¹ The Housing Code of the Kyrgyz Republic dated as of 9th July 2013, No. 117 (with the latest amendments as of January 6, 2021).

3. judicial acts;
4. decisions of authorized bodies of legal entities to reorganize the same;
5. membership in building cooperatives;
6. other grounds stipulated by law.

The right to residential property arises from the moment of its state registration in the manner provided by law.

Restrictions on Foreign Ownership of Immovable Property

There are no restrictions in Kyrgyz law on the right of foreign persons to acquire buildings and structures as long as they refer to non-residential assets.

Foreign persons may not own recreation, infrastructure or tourism assets, located in the ecological and economic system of Lake Issyk-Kul¹⁴² but they may use such assets in the manner determined by the Kyrgyz Government.

Also, there are a number of legal restrictions on the right of foreign persons to own land in the Kyrgyz Republic. A foreign person is a person who must meet one of the following:

- be a foreign national or stateless person;
- be a foreign legal entity, i.e. a legal entity which must meet one of the following:
 - be established and registered under the laws of a foreign state;
 - be fully owned by one or more foreign individuals or legal entities;
 - be controlled or managed by one or more foreign individuals or legal entities under a written contract, the right to sell a majority of the voting shares, the right to appoint a majority of members of its executive or supervisory body;

• be registered within the Kyrgyz Republic and have at least 20% of
 142 Article 20, Law on Sustainable Development of Issyk-Kul Eco-economic System, August 13, 2004, No. 115 (with the latest amendments as of August 21, 2021).

its charter capital owned by foreign nationals, stateless persons, or legal entities mentioned in this paragraph;

- be established by an international agreement or treaty.

The land rights of foreign persons are limited to the following:

- Foreign persons may not own or use agricultural land¹⁴³;
- Foreign persons or foreign legal entities may receive residential land plots for fixed-term (temporary) use or into ownership as a result of enforcement of mortgage with subsequent disposal of land plot within two years from the moment of acquiring the ownership right in the manner provided by the pledge law of the Kyrgyz Republic;
- Foreign person may receive non-residential land plots (except land plots provided for agricultural or mining purposes) for fixed-term (temporary) use by the Government of the Kyrgyz Republic. In all other cases, non-residential land plots may be provided, transferred or transmitted to foreign persons through universal succession for fixed-term (temporary) use;
- Foreign nationals, stateless persons and foreign legal entities except kairylman (repatriates)¹⁴⁴ may not receive land plots located within the frontier area for fixed-term (temporary) use or into ownership;
- Foreign banks and specialized financial institutions which received agricultural land plots into ownership as a result of enforcement of mortgage must dispose of these land plots within two years from the moment of acquiring ownership right in the manner provided in the pledge law.

Foreign persons who have acquired ownership of agricultural land by way of universal succession (inheritance, reorganization) must alienate such land to a Kyrgyz national or legal entity within one year from the date of acquiring such ownership.

¹⁴³ Article 7 of the Law of the Kyrgyz Republic "On Management of Agricultural Land" dated January 11, 2001, No. 4 (with the latest amendments as of August 14, 2020).

¹⁴⁴ Kairylman is an ethnic Kyrgyz who is a foreign citizen or stateless person who voluntarily moves to the Kyrgyz Republic and receives the status of a kairylman.

In general, under Kyrgyz law, any immovable property which has been lawfully acquired by a person but may not belong to it by operation of law must be alienated by such person within three years.

Foreign persons and foreign legal entities can receive use rights or title to land plots located within settlements in case of the enforcement of mortgage security on the condition of subsequent alienation within two years from the moment of acquiring title in the manner prescribed by the pledge law of the Kyrgyz Republic.

If agricultural land is inherited by a foreign person, it must be alienated to a citizen of the Kyrgyz Republic within one year from the moment of acquiring the right to the land plot.

The immovable property not alienated within specified period will be, depending on its type and purpose, either subject to forced sale by the court decision at the request of the state authority or local community with the proceeds from its sale being transferred to the former owner, or appropriated for state or communal needs with its value determined by the court being refunded to the former owner, less the cost of sale.

12. INTELLECTUAL PROPERTY

Legal Framework for Intellectual Property Protection

The legal framework for intellectual property (IP) protection in the Kyrgyz Republic includes national legislation and international agreements or treaties to which the Kyrgyz Republic is a party.

The primary legislation regulating IP comprises the Civil Code of the Kyrgyz Republic¹⁴⁵, the Patent Law¹⁴⁶, the Law of the Kyrgyz Republic “On Trademarks, Service Marks and Geographical Indications”¹⁴⁷, Law of the Kyrgyz Republic “On Copyright and Neighbouring Rights”¹⁴⁸, Law of the Kyrgyz Republic “On Legal Protection of Computer and Data Base Software”¹⁴⁹, other laws and regulations.

The Kyrgyz Republic is a party to international treaties and conventions on intellectual property. The principal treaties are: the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Patent Cooperation Agreement, and the Madrid Agreement Concerning the International Registration of Marks and the Protocol relating to that Agreement, the Hague Agreement Concerning the International Registration of Industrial Designs and the Geneva Act. In addition, since December 1998 the Kyrgyz Republic has been a member of the World Trade Organization (WTO). The requirements of the WTO Agreement on Trade-

145 Civil Code of the Kyrgyz Republic dated 8 May 1996 No. 15, Part 1 (with the latest amendments as of August 1, 2020) and Civil Code of the Kyrgyz Republic of January 5, 1998 No. 1. Part II (with the latest amendments as of April 19, 2019).

146 Kyrgyz Patent Law dated 14 January 1998 No. 8 (with the latest amendments as of March 23, 2020);

147 The Law of the Kyrgyz Republic “On Trademarks, Service Marks and Geographical Indications” dated January 14, 1998 No. 7 (with the latest amendments as of March 23, 2020).

148 The Law of the Kyrgyz Republic “On Copyright and Neighboring Rights” dated January 14, 1998 No.6 (with the latest amendments as of March 23, 2020).

149 The Law of the Kyrgyz Republic “On Legal Protection of Computer and Data Base Software” dated March 30, 1998 No.28 (with the latest amendments as of March 23, 2020).

Related Aspects of Intellectual Property Rights served as the basis for the national intellectual property legislation.

Intellectual Property

Legal protection of intellectual property (inventions, utility models, industrial designs, brand names, trademarks, service marks and geographical indications, copyright and neighbouring rights, layout designs of integrated circuits, breeder’s rights, undisclosed information (trade secrets), including production secrets, i.e. know-how) is granted by virtue of their being created or by the order of the competent authority .

Right to an invention, utility model, and industrial design is protected by a patent that proves priority, authorship, and exclusive right of the patent holder to the given object of intellectual property. Upon registration of a trademark, service mark, or geographical indication a certificate is issued to prove the trade or service mark owner’s exclusive right to use and dispose of the mark, or owner’s right to use the registered geographical indication.

The public agency authorized to register these objects in the Kyrgyz Republic is the State Service of Intellectual Property and Innovation under the Government of the Kyrgyz Republic (Kyrgyzpatent).¹⁵⁰

The exclusive right to a brand name arises from the date of state registration of a legal entity with the Ministry of Justice of the Kyrgyz Republic. Copyright and neighbouring rights arise without the need for registration or other formalities.

Inventions, Utility Models, and Industrial Designs

An invention is subject to protection when it is new, has an inventive level, and is industrially applicable. An invention patent is valid for 20 years from the date of respective application to Kyrgyzpatent and this term may not be extended.

150 Official website of Kyrgyzpatent: <http://www.kyrgyzpatent.kg>.

A utility model is subject to protection if it is new and industrially applicable. A patent to a utility model is valid for 5 years from the date of respective application to Kyrgyzpatent, and this term may be extended upon request of the patent holder, but for no more than 3 years.

An industrial design is subject to protection if it is new and original. A patent to an industrial prototype is valid for 10 years from the date of respective application to Kyrgyzpatent, and this term may be extended upon request of the patent holder, but for no more than 5 years.

Trademarks, Service Marks, and Geographical Indications

A trademark or service mark is a designation which identifies goods or services of particular individuals or legal entities from those of others. A trademark may be designated by verbal, visual, volumetric or other signs or their combination¹⁵¹. A person applying to Kyrgyzpatent for a trademark can be previously not using such trademark for the goods and services specified in the application. Kyrgyz law does not require the applicants to confirm the prior use or intent to use the trademark when filing an application for registration.

The goods and services are classified according to the 11th edition of the International Classification of Goods and Services approved by the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks.

A registered trademark is confirmed by a certificate. The period of validity of a registered trademark is 10 years from the date of filing with possibility of renewal for another 10 years at the trademark holder's request filed within the last year of its validity.

A geographical indication means the geographical name of a region or locality, or country, used to designate a product originating in that region, locality, or country, and the quality or characteristics of which are

¹⁵¹ Article 2, part 3 of the Law «On Trademarks, Service Marks and Geographical Indications» dated January 14, 1998 No.7 (with the latest amendments as of March 23, 2020);

essentially or exclusively due to the particular geographical environment comprising inherent natural and human factors thereof. A registered geographical indication is confirmed by a certificate. The period of validity of the certificate is 10 years from the date of application and it may be extended for another 10 years.

Brand Names

A brand name is the full name of the legal entity under which it operates and which distinguishes it from another legal entity. The exclusive right to a brand name arises from the date of state registration of the legal entity with the Ministry of Justice of the Kyrgyz Republic and ceases to exist after its dissolution or name change.

The legal entity has the exclusive right to use its brand name as a means of identification in any way not inconsistent with the law, including by indicating it on signboards, letterheads, invoices and other documentation, in announcements and advertising, on goods or their packaging, on the Internet.

Copyright and neighbouring rights

Kyrgyz law protects works of science, literature, and art (copyright), as well as phonograms, performances, stage plays, broadcast programs by broadcasting and cablecasting organizations (neighbouring rights). Protection is provided without registration of respective works or any other formalities. As a general rule, copyright is valid for the life of the author and 50 years after their death. Neighboring rights are valid for 50 years after the first performance or staging or publication of a phonogram (or 50 years after its first recording, if the phonogram was not published within this period), or broadcast or cablecast.

Copyright covers software and data bases, both released and not released, represented in objective form, regardless of their tangible medium, purpose, and value. Legal protection applies to any type of software in any language and in any form, including source code and object code.

Authors may protect their copyright or neighboring rights at any time during the period of copyright or neighboring rights protection by registering them in Kyrgyzpatent's official registries which is confirmed by a certificate.

Layout designs of integrated circuits

A layout design of an integrated circuit refers essentially to the three-dimensional character of the elements and interconnections of an integrated circuit. An integrated circuit (IC) is an electronic circuit in which the elements of the circuit are integrated into a medium, and which functions as a unit. Legal protection is granted only to the original layout design, i.e. resulting from creative activity of its author.

The author or other right holder has an exclusive right to use such layout design at their own discretion in particular, to manufacture and distribute integrated circuits with such layout design, including the right to prohibit the unauthorized use of such layout design by other persons.

The exclusive right to use the layout design is valid for 10 years starting from the earliest of the following dates:

- date of the first use of the layout design implying the earliest recorded date when this layout design or integrated circuit with such layout design has been introduced somewhere in the world;
- date of registration of the layout design with Kyrgyzpatent (on a voluntary basis).

Breeder's rights

The plant or animal breeder's rights will be protected if a patent is issued by Kyrgyzpatent. The patent is issued if a new plant variety or animal breed meets the eligibility criteria (novelty, distinctness, uniformity, stability) and relates to botanical and zoological genus and species. The term of the patent is 25 years from the date of registration of the new variety or breed with the State Register of Protected Varieties and Breeds.

The patent holder has the exclusive right to use the new variety or breed. The exclusive right of the patent holder means the right to undertake the following actions in respect of propagating material of the protected variety or breed:

- production and reproduction;
- preparation for sowing;
- offer for sale;
- sale and other types of marketing;
- export from the Kyrgyz Republic;
- import into the Kyrgyz Republic;
- storage for the above purposes.

Undisclosed information

A person lawfully possessing technical, organizational or commercial information, including production secrets (know-how) unknown to third parties (undisclosed information), is entitled to protection of this information against illegal use if the following conditions are met:

- information has actual or potential commercial value due to its being unknown to third parties;
- information is not legally accessible;
- information owner takes measures to protect confidentiality.

The right to protection of undisclosed information against illegal use arises without formality (registration, obtaining certificates, etc.).

The undisclosed information protection requirements do not apply to information that cannot, under law, refer to official or commercial secret (information about legal entities, property rights and transactions subject to state registration, information to be submitted as part of state statistical reporting etc.).

Intellectual Property Representation Services

Foreign persons or their patent attorneys handle cases related to IP protection through patent attorneys registered with Kyrgyzpatent¹⁵². As of today, there are 29 certified patent attorneys operating in Kyrgyzstan¹⁵³.

Residents of the countries which signed a bilateral agreement with the Kyrgyz Republic establishing mutual simplified procedures for IP rights can handle the cases related to obtaining a patent, registering a trademark and other activities independently or through their national patent attorneys unregistered in the Kyrgyz Republic.

The Kyrgyz Republic has signed bilateral agreements with the following countries:

- the Republic of Uzbekistan (the Agreement on Industrial Property Cooperation between the Governments of the Kyrgyz Republic and the Republic of Uzbekistan effective from December 24, 1996);
- the Azerbaijan Republic (the Agreement on Industrial Property Cooperation between the Governments of the Kyrgyz Republic and the Azerbaijan Republic effective from August 27, 1997);
- the Republic of Armenia (the Agreement on Industrial Property Cooperation between the Governments of the Kyrgyz Republic and the Republic of Armenia effective from June 18, 1998).

Protection of Intellectual Property Rights

Kyrgyz customs authorities ensure protection of copyright and neighboring rights, trademarks, service marks and geographical indications. For this purpose, at the request of right holders or their representatives, the indicated IP rights are entered in the register of protected intellectual property rights for up to two years upon payment of an appropriate customs fee. When the customs clearance of the goods

¹⁵² Article 3, the Patent Attorneys Law of the Kyrgyz Republic, February 19, 2001, No. 24 (with the latest amendments as of March 23, 2020).

¹⁵³ Based on information found on the official website of Kyrgyzpatent: <http://patent.kg/index.php/ru/attorneys.html>

bearing intellectual property reveals any signs of counterfeit, these goods shall be kept in temporary storage, and the release of such goods shall be suspended for 10 days with the possibility of renewal for the same period. During this period, the right holder or his representative shall submit to the customs authorities the documents confirming the start of litigation to restore legal rights and interests in respect of suspended goods.

A holder of the IP right may apply to the state antimonopoly authority for the suppression of unfair competition. A decision (order) of this authority shall be binding throughout the territory of the Kyrgyz Republic in full and within specified time. Those who disagree with the decision (order) of state antimonopoly authority may appeal it to the court.¹⁵⁴

Kyrgyz law establishes civil, administrative, and criminal liability for violation of intellectual property rights.

The Code of Administrative Liability¹⁵⁵ envisaging administrative fines and/or confiscation of goods as punishment for intellectual property violations ceased to be effective from January 1, 2019. The obsolete Code of Administrative Liability is replaced by the Kyrgyz Code of Offences¹⁵⁶ 2019 which does not impose liability for IP violations.

Criminal liability for violation of intellectual property rights is imposed by the Criminal Code of the Kyrgyz Republic¹⁵⁷. Thus, the violation of intellectual property rights is punishable by sanctions up to imprisonment.

According to the general rule, intellectual property rights are protected through legal proceedings. These disputes fall within the jurisdiction of regular courts.

¹⁵⁴ Article 20 of the KR Law on Competition dated July 22, 2011 No.116 (with the latest amendments as of July 22, 2019).

¹⁵⁵ Code of Administrative Liability of the Kyrgyz Republic, August 4, 1998, No. 114.

¹⁵⁶ Code of Violations of the Kyrgyz Republic, April 13, 2017, No. 58 (with the latest amendments as of August 21, 2020).

¹⁵⁷ The Criminal Code of the Law of the Kyrgyz Republic, February 2, 2017, No. 19 (with the latest amendments as of December 31, 2020).

13. ANTI-MONOPOLY REGULATION

Legislation

Anti-monopoly legislation of the Kyrgyz Republic consists of the Law of the Kyrgyz Republic, "On Competition"¹⁵⁸, Law of the Kyrgyz Republic "On Natural Monopolies in Kyrgyz Republic"¹⁵⁹, Law of the Kyrgyz Republic "On Advertising"¹⁶⁰, and others laws and regulations.

Natural monopolies are regulated and controlled by the anti-monopoly authority and relevant regulatory authorities within the scope of their competence. The State Anti-Monopoly Regulation Agency under the Government of the Kyrgyz Republic is the competent authority responsible for the pursuit of national antitrust and fair competition policy and antimonopoly regulation in all sectors of the economy, except the fuel and energy industry.

Unfair Competition

Unfair competition means any anti-competitive business practices aiming to gain unfair advantages inconsistently with current legislation, customary business practices, standards of honesty, reasonableness and fairness and may cause economic harm to other competing businesses or damage to their business reputation.

The State Anti-Monopoly Regulation Agency enforces antitrust and fair competition policy by controlling the operations of market participants. Some of its main functions include the following:

- Analysing the state of competition in the respective markets for goods and services (works);
- Protecting the rights of business entities and individuals against

158 Competition Law of the Kyrgyz Republic, No. 116, July 22, 2011 (as amended July 22, 2019).

159 Natural Monopolies Law of the Kyrgyz Republic, No. 149, August 8, 2011 (as amended May 17, 2019).

160 Advertising Law of the Kyrgyz Republic, No. 155, December 24, 1998 (as amended January 25, 2020).

monopolistic and unfair competition practices and anticompetitive documents or acts (omissions) of state government or local self-government authorities;

- Preparing opinions on drafts of fair competition acts and regulations;
- Reviewing complaints and grievances of individuals and legal entities, irrespective of their ownership, regarding violation of antitrust, consumer protection and advertising laws; and
- Other.

The list of practices prohibited by unfair competition law includes the following:

- Unauthorized copying of the business entity's goods and form of packaging and exterior design, except for the goods whose appearance is conditioned by their technical function;
- Direct reproduction of the other business entity's products by violating its patent rights;
- Illegal use of another person's trademark, service mark, appellation of origin, business name, capable of creating confusion with other business entity;
- Distribution of false or distorted information on business profile and financial condition of the other business entity, capable of causing damage or harming its business reputation;
- Manufacture, sale, or other entry of the other business entity's products in the market by violating its intellectual property rights and similar rights of participants of civil turnover of goods, works and services (illegal use);
- Disclosure in the distorted way of the data on scientific and technical and production abilities of the competitor;
- Intentional violation, disruption, and termination by illegal means of the competitor's business relations;
- Bringing pressure by illegal means on the competitor's employees with an aim of inducing them to neglect of duties;

- Illegal receipt, use and disclosure of data on scientific-technical, production, or commercial activities of a business entity, including its trade secret;
- Bringing pressure by illegal means on the making and carrying out of business decisions by the competitor for the purposes of getting unfounded predominance over it;
- Unfounded appeals (addresses) to other market participants encouraging to terminate business relations of the competitor or prevent them from being established;
- Dissemination of any data capable of misleading consumers about the origin, method of manufacture, usability, or quality and other features of merchandise of the business entity, identity of the entrepreneur or characteristics of their business activity;
- Marking a merchandise by an improper distinguishing sign for the purposes of misleading consumers regarding the consumption and other important qualities of the merchandise;
- Concealing the fact that the merchandise is inconsistent with its purpose or requirements set for it;
- Intentional sale of particular products on relevant markets at prices lower than those offered in the competitive environment or below cost in order to limit competition;
- Incorrect comparison between the products made or offered by one business entity and those made or offered by another business entity;
- Unfair competition involving acquisition and use of an exclusive right to the means of individualisation of a company, goods, works or services.

The list of prohibited anti-competitive and abusive monopolistic practices includes the following:

- Impeding access to the market for other business entities;
- Withdrawal of merchandise from circulation with the purpose of, or

resulting in, the creation and(or) supporting its deficit at the market or with the purpose of raising prices;

- Imposing contractual terms on a counteragent which are disadvantageous for it or are irrelevant to the subject of the agreement (unfounded demands to transfer funds, other property, property rights, workforce of the counteragent, etc.)
- Inclusion in the contract of discriminatory or privileged terms which put the counterpart in unequal position compared to the position of other business entities;
- Forcing the counteragent (consumer) to enter into an agreement only with certain manufacturer or purchaser;
- Consenting to enter into an agreement only on condition of introducing into it the provisions on merchandise in which the counterpart (or consumer) is not interested;
- Establishing and maintaining high or low monopolistic prices of goods;
- Economically or technologically unfounded reduction or termination of manufacture of merchandise, if there is demand for it or supply orders for it are placed, if it can be profitably manufactured, and if such agreement or termination of manufacture of merchandise is not directly provided by Kyrgyz law or judicial acts;
- Unfounded refusal to perform the conditions of the agreement not attributable to force majeure events;
- Economically or technically unfounded refusal or evasion from entering into the agreement with certain buyers (customers) if there is a possibility of manufacture or supply of the respective merchandise and if such refusal or evasion is not directly provided by Kyrgyz law or judicial acts;
- Creation of discriminatory or exceptional conditions;
- Economically, technologically or otherwise unfounded establishment of various prices (tariffs) for one and the same product, unless otherwise provided by Kyrgyz law;

- Setting of unreasonably high or unreasonably low prices for financial services.

Concerted actions of competing business entities

The list of prohibited concerted actions limiting competition includes the following:

- Establishing (maintaining) prices (tariffs), discounts, allowances (surcharges), margins;
- Increasing, decreasing or maintaining prices on the same level in the market or at auction;
- Division of the market by territory, scope of sales or procurements, assortment of goods being sold, types of provided services or range of sellers or buyers (customers);
- Limiting market entry or exit for other business entities as sellers of certain merchandise or their buyers (customers);
- Coordinating scopes of production for the purposes of artificial change of the scope of offers;
- Unfounded refusal from contracting with certain sellers or buyers (customers);
- Establishing price discrimination;
- Unfounded decrease or termination of supply of goods for invalid reasons;
- Establishing standard terms and conditions of contracts which put consumers into a disadvantageous position or limit the freedom of choice of goods and business entities manufacturing these goods or have provisions irrelevant to the subject of the contract.

The list of prohibited anti-competitive agreements of non-competing business entities includes the following:

- Imposing contractual terms which are disadvantageous for the counteragent;
- Imposing exceptions which require purchasing certain goods only

from the given seller, but not its competitor;

- Limiting territory or range of buyers;
- Imposing price limitations on resale of goods acquired by the buyer;
- Prohibiting sale of goods manufactured by the competitors.

The above anti-competitive agreements can be deemed admissible by the antimonopoly authority in the following exceptional cases:

- Agreements or concerted actions of business entities may be deemed admissible if they do not create opportunity for anticompetitive conduct of certain persons in the respective commodity market or impose limitations on their shareholders or third parties and may result in (a) the better manufacture or sale of goods, promotion of technical or economic progress, or increased competitiveness of goods in the world market, (b) the creation of advantages (benefits) for the buyers commensurate with those acquired by business entities as a result of actions (omissions), agreements or concerted actions or transactions.

Liability

Persons guilty of violating antimonopoly law are held liable in accordance with Kyrgyz law. The imposition of liability does not release the culprits from the obligation to comply with the decision of the antimonopoly authority.

Powers of the Anti-Monopoly Authority

The anti-monopoly authority and its local offices, within the scope of their competence, control compliance with the Kyrgyz antitrust, consumer protection and advertising legislation by undertaking measures designed to ensure:

- fair competition and effective functioning of markets for goods, works and services (de-monopolization of monopolistic sectors of economy, assessment of the state of competitive environment, development of proposals on removal of barriers to competition,

review of petitions/notices of business entities and state-owned and municipal enterprises on reorganization, liquidation, acquisition of shares (interests) in the charter capital if this leads to the creation of a business entity (business associations) occupying a dominant position, making decision on forcible division (separation) of business entities occupying dominant position in the market and systematically engaged in monopolistic activity, reviewing requests of natural monopolies for approval of actions envisaged by the legislation of the Kyrgyz Republic, etc.);

- effective state control over compliance with the Kyrgyz antitrust and pricing policies (balancing the interests of consumers and natural monopoly entities, formation and maintenance of the public registry of natural monopoly entities, control over natural monopoly entities, etc.);
- protection of consumers from abusive monopolistic and unfair competition practices (approval of prices (tariffs) of services (works), except educational services, provided by state government and local self-government authorities, approval of cost of permitting documents issued by the executive authorities, etc.);
- regulation of advertisers, advertising agents, and advertising distributors (protection against unfair competition in advertising, prevention and suppression of improper advertisement, sending materials related to violations of the advertising legislation to the licensing authorities to have the license of the violating entity suspended or revoked, submission of documents to the prosecution authorities and other law enforcement agencies to resolve the issue of initiating criminal proceedings on charges of committing advertising offences, etc.);
- general inspections of compliance with antimonopoly, consumer protection and advertising legislation of the Kyrgyz Republic, as well as review of correct formation and application of prices (tariffs) by business entities, public authorities, local self-government authorities, organizations and institutions; and also review of complaints and

statements of individuals and legal entities, regardless of the form of ownership, on non-compliance with antimonopoly, consumer protection, and advertising legislation of the Kyrgyz Republic.

Types of control of natural monopolies:

- Undertaking price regulation through price (tariff) setting and price ceiling;
- Establishing mandatory or minimum consumer (subscriber) service requirements for natural monopolies, if the need in their goods or services cannot be fully satisfied, to the extent necessary to protect public interests, national security, natural resources and cultural values;
- Establishing trade mark-up size requirements;
- Establishing requirements for engineering and technical services being natural monopoly entities to develop respective engineering and technical facilities, if the need in their goods (services) cannot be fully satisfied.

14. ENVIRONMENTAL PROTECTION

Environmental safety is an integral part of the country's national security and a prerequisite for sustainable development, preservation and sustenance of natural resources and the environment.

Legislation

Kyrgyz legal and regulatory framework for environmental protection and effective natural resources management consists of the Environmental Protection Act of June 16, 1999, Atmospheric Air Protection Act of June 12, 1999, Environmental Impact Assessment Act of June 16, 1999, Specially Protected Natural Areas Act of May 3, 2011, Biosphere Reserves Act of June 9, 1999, Radiation Safety Act of June 17, 1999, and other environmental acts and regulations. Special safety requirements for protection of atmospheric air, water resources, wildlife species, soil and natural landscapes, and for disposal of industrial and domestic waste are established by the Environmental Safety General Technical Regulation Act of the Kyrgyz Republic of May 8, 2009.

The Kyrgyz Republic is getting more actively involved in the world community activity aimed at restraining global environmental threats including the process of the unification efforts of states. Since 2007, the Kyrgyz Republic has acceded to 11 international environmental conventions and 3 protocols to them.¹⁶¹

Currently, the competent public authority in charge of environmental protection, ecological security and nature management policy is the State Agency for Environment Protection and Forestry under the Government of the Kyrgyz Republic (the Agency).¹⁶²

The competent public authority responsible for state supervision and

¹⁶¹ Concept paper on ecological safety of the Kyrgyz Republic approved by Kyrgyz Republic Presidential Edict No. 506: dated November 23, 2007.

¹⁶² Regulations on the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic approved by Governmental Resolution No. 123 dated February 20, 2012.

control over environmental and technical safety is the State Inspection Office for Environmental and Technical Safety under the Government of the Kyrgyz Republic (SIETS)¹⁶³.

Environmental Impact Assessments and environmental review

The planning, placement, construction, reconstruction, technical re-equipment, and commissioning of facilities and projects that may have direct or indirect impact on the environment must be subject to environmental impact assessment (EIA) and other measures aimed at ensuring environmental protection, rational use, reproduction of natural resources, improvement of the environment in compliance with environmental standards. The environmental impact assessment procedure must be undertaken by the project initiator in accordance with the currently effective regulations. Environmental impact assessment must be organized and conducted when preparing feasibility studies on the following projects:

- developing concepts, programs and plans for sectoral and local socio-economic development;
- developing schemes of integrated use and protection of natural resources;
- developing master plans of cities, settlements and other urban planning documentation;
- undertaking new construction, reconstruction, expansion and technical re-equipment of existing economic and other facilities that have or may have impact on the environment.

The environmental impact assessment report is required for all types and stages of development of project documentation and serves as the basis for making a decision by a designated public authority for environmental impact assessment.

Under the legislation of the Kyrgyz Republic, business entities' projects

¹⁶³ Regulation on State Inspection Office for Environmental and Technical Safety under the Government of the Kyrgyz Republic N 136, dated February 20, 2012.

related to the use of natural resources are subject to environmental impact assessment.¹⁶⁴ The identification of site as well as planning, construction, and commissioning of commercial facilities must be made in accordance with the current legislation and on the basis of a positive conclusion of the state environmental review. The commissioning of facilities is prohibited if they are not fitted with purification, neutralization, hazardous waste disposal, emission and discharge and other environmental pollution control systems and equipment to reduce pollution to maximum permissible limits. This requirement has been introduced to prevent negative consequences for public health and the environment that may be caused by business and other activities. In addition, the adequacy of planned activities has to be assessed at stages preceding decisions on compliance with legislation on the environmental protection of the Kyrgyz Republic.

There are two types of environmental impact assessment conducted in the Kyrgyz Republic: state environmental impact assessment and public environmental impact assessment. The financing or implementation of any natural resources management projects cannot be undertaken without obtaining prior state environmental clearance. The competent authority for environmental review is the State Agency for Environmental Protection and Forestry under the Government of the Kyrgyz Republic, the review period is up to 3 months.

Environmental Standardization and Certification

Products/processes/services produced within the Kyrgyz Republic or imported into its territory that are potentially threatening environmental safety, people's health or lives, or reproduction and rational use of natural resources, are subject to environmental standardization and certification. A list of such products is approved by the Government of the Kyrgyz Republic.

¹⁶⁴ The Environmental Impact Assessment Act of the Kyrgyz Republic, No. 54, dated June 16, 1999 (with the latest amendments as of May 4, 2015).

Environmental Audit

Environmental audit is undertaken by independent experts to review a company's operations and processes to determine compliance with environmental regulations, to prevent or remove environmental violations and to identify the risk of its environmental impacts. Environmental audit services are provided at the companies' own expense or using the duly raised capital.

Environmental insurance

Voluntary and compulsory environmental insurance of legal entities and individuals, their property and income against losses from natural disasters, accidents and catastrophes, as well as pollution liability insurance provide coverage on the risk of loss of life, health and property of the population in the Kyrgyz Republic. Compulsory environmental insurance is required for legal entities and citizens engaged in environmentally hazardous business and other activities.¹⁶⁵

¹⁶⁵ Article 36 of the Law of the Kyrgyz Republic «On Environmental Protection» dated June 16, 1999 No. 53.

15. CUSTOMS REGULATION

Legislation

The Kyrgyz Republic is a rightful member of the Eurasian Economic Union (the "EAEU") along with the Republic of Armenia, Republic of Belarus, Republic of Kazakhstan and the Russian Federation. The Treaty on Accession of the Kyrgyz Republic to the EAEU Treaty entered into force on August 12, 2015¹⁶⁶ thus making the treaties and acts forming part of the EAEU law effective for the Kyrgyz Republic.¹⁶⁷

In the EAEU, there is applied common customs regime based on the EAEU Customs Code¹⁶⁸, the EAEU Treaty and other international agreements and acts forming part of the EAEU law. Customs matters not covered by international agreements and customs regulations will be governed by the customs laws of the EAEU member states until addressed by such international agreements and regulations.

The customs matters in the Kyrgyz Republic are being governed by the customs legislation of the EAEU (including the EAEU Customs Code), the customs legislation of the Kyrgyz Republic including the Customs Regulation Act and other normative legal acts, and by the treaties and other international acts related to customs clearance. The customs legislation of the Kyrgyz Republic applies until the entry into force of regulatory legal acts implementing the Customs Code of the EAEU to the extent not inconsistent with the latter.

Customs regulation

The State Customs Service under the Government of the Kyrgyz Republic

¹⁶⁶ The Treaty of Accession of the Kyrgyz Republic to the Treaty on the Eurasian Economic Union of May 29, 2014 was signed on December 23, 2014 and entered into force on August 12, 2015.

¹⁶⁷ <http://www.eurasiancommission.org/ru/nae/news/Pages/12-08-2015-1.aspx>

¹⁶⁸ Ratified by the Law of the Kyrgyz Republic "On ratification of the Treaty on the Customs Code of the Eurasian Economic Union, signed on April 11, 2017 in Moscow" dated December 30, 2017 No. 223 (28).

is the competent customs clearance authority in the Kyrgyz Republic.

Customs declaration is required for goods placed under a customs procedure or in other cases specified in the EAEU Customs Code.

Customs declaration of goods is made by the declarant or customs representative acting on behalf and at the instruction of the declarant.

Customs declarations can be submitted in written and/or electronic form.

Customs control is applied by the customs authorities represented by the competent customs officers acting within the scope of their official (functional) duties in accordance with the EAEU customs legislation and that of the EAEU member-states.

The goods crossing the customs border can be placed under a chosen customs procedure in the manner and on the terms and conditions set forth in the EAEU Customs Code and the EAEU member states legislation.

The chosen customs procedure can be replaced by another one in accordance with the EAEU Customs Code.

Customs Procedures

There are following types of customs procedures applied to goods:

1. release for internal use;
2. export;
3. customs transit;
4. bonded warehouse;
5. inward processing ;
6. outward processing ;
7. processing for internal use ;
8. free customs zone;
9. free warehouse;

10. temporary importation under bond;
11. temporary exportation;
12. re-import;
13. re-export;
14. duty-free trade;
15. destruction;
16. bequeath to the state;
17. special customs procedure.

Customs Payments

Customs payments include:

1. import customs duty;
2. export customs duty;
3. value-added tax charged on goods imported to the EAEU customs territory;
4. excise duty tax(s) or fees charged on goods imported to the EAEU customs territory;
5. customs charges.

Special, anti-dumping and compensatory duties are introduced in accordance with the Eurasian Economic Union Treaty and charged in the manner provided in the EAEU Customs Code.

Customs Control, its Objects and Forms

Customs control is a set of measures adopted by the customs authorities with an aim of reviewing and(or) ensuring compliance with international agreements and regulations and legislation of the EAEU member states related to customs regulation.

Customs control is applied by the customs officers of the customs authorities to objects of customs control, defined by the Customs Code of the EAEU with the application of statutory customs control forms

and(or) measures.

The forms of customs control include:

1. getting explanations;
2. verification of documents and information;
3. customs inspection;
4. customs search;
5. personal customs search;
6. customs inspection of premises and territories;
7. customs check-up.

Customs control is carried out in the customs control zone and other places where goods are (must or may be) located, including vehicles of international transport and vehicles for personal use, subject to customs control, documents and (or) information systems containing information about such goods.

16. INSURANCE

Legislation

Insurance companies are regulated by the Civil Code and acts of the Kyrgyz Republic such as Organization of Insurance Act,¹⁶⁹ Mandatory Insurance of Employer Civil Liability for Occupational Injury or Death Act¹⁷⁰, Mandatory Insurance of Carrier Civil Liability to Passengers Act¹⁷¹, Mandatory Insurance of Civil Liability of Carriers of Hazardous Cargoes Act¹⁷², Mandatory Insurance of Civil Liability of Entities Operating Hazardous Facilities Act¹⁷³, Peculiarities of Crop Insurance Act¹⁷⁴, Mandatory Insurance of Civil Liability of Vehicle Owners Act¹⁷⁵, Mandatory Insurance of Residential Premises against Fire and Natural Disasters Act¹⁷⁶ and other normative legal acts.

Establishment and Licensing

Insurance companies may be founded as open or closed joint stock companies with the initial charter capital amounting to:¹⁷⁷

169 Organization of Insurance Act dated July 23, 1998 No. 96 (with the latest amendments as of August 6, 2018).

170 Mandatory Insurance of Civil Liability of Employer for Death or Injury of Employee While on Duty Act dated August 5, 2008, No. 194 (as amended March 22, 2016, No.24).

171 Mandatory Insurance of Civil Liability of Carrier to Passengers Act dated August 4, 2008, No. 189 (as amended March 22, 2016, No.24).

172 Mandatory Insurance of Civil Liability of Carrier of Hazardous Cargoes Act dated August 4, 2008, No. 188 (as amended March 22, 2016, No.24).

173 Mandatory Insurance of Civil Liability of Entities Operating Hazardous Facilities Act dated August 15, 2008, No. 202 (as amended March 22, 2016, No.24).

174 Peculiarities of Crop Insurance Act dated January 26, 2009 No. 31 (as amended April 2, 2016, No.33).

175 Mandatory Insurance of Civil Liability of Vehicle Owners Act dated July 24, 2015 (as amended August 2, 2016, No.161).

176 Mandatory Insurance of Residential Premises against Fire and Natural Disasters Act dated July 31, 2015, No. 209.

177 Government Resolution No. 292 dated June 1, 2016 approving minimum charter capital for insurance (reinsurance) companies and brokers (as amended October 11, 2017, No.658).

- at least 30 million KGS for voluntary insurance and/or re-insurance services, except universal life insurance;
- at least 100 million KGS for voluntary or mandatory insurance or reinsurance services including universal life insurance until January 1, 2017, and from July 1, 2017 at least 150 million KGS;
- at least 300 million KGS for re-insurance services until July 1, 2017;
- at least 100 million KGS for re-insurance services within free economic zones in the Kyrgyz Republic;
- at least 1 million KGS for insurance or reinsurance broker services.

Insurance services are subject to licensing and each type of insurance services requires a separate license. A license is valid for an unlimited period, unless otherwise provided therein. Insurance (premium or coverage) may be paid in either national or foreign currency. Where the insurance premium is paid in foreign currency, the insurance coverage may be paid in Kyrgyz soms if so agreed by the parties.

Intermediary services of an insurance agent or broker involving the execution of insurance contracts on behalf of foreign insurance companies in the Kyrgyz Republic are not allowed. That said, the foreign insurance broker services are allowed in the Kyrgyz Republic upon recognition of the respective license issued by the competent authorities of the foreign states in the manner provided by the laws of the Kyrgyz Republic on the licensing of certain types of activities.

As of Q1 2020, there were 17 insurance companies including 9 reinsurance companies operating in the Kyrgyz Republic including State Insurance Company OJSC. Jubilee Kyrgyzstan Insurance Company CJSC is the only company offering cash value life insurance services.

Insurance companies offer more than 84 types of voluntary and more than 6 types of mandatory insurance services.

The rate of insurance premiums received is growing from year to year, thus triggering the growth of the rate of insurers entering into insurance

contracts with insurance companies. Before 2005, it was mainly property and life insurance which predominated; voluntary liability insurance evolved later, with the introduction in 2009 of 4 types of mandatory civil liability insurance for: employers against liability for death or injury of employees while on duty; carriers of passengers; carriers of hazardous cargoes; entities operating hazardous facilities. In 2016, two more types of mandatory civil liability insurance were introduced: for auto-owners and homeowners against fire and natural disasters.

Most of insurance premiums account for property, general liability, mandatory civil liability and cash value insurance services.

17. SECURITIES MARKET

Legislation

Kyrgyz securities market legislation consists of the Civil Code, Securities Market Act of July 24, 2009, Joint Stock Companies Act of March 27, 2003, and secondary legislation.

State Regulation

The Kyrgyz Financial Supervisory Authority (FSA) is the competent securities market authority providing oversight over non-banking financial market, accounting and auditing services.

The FSA, for the purposes of protecting the rights of investors and other third persons, is competent to conduct inspections of securities market participants.

The FSA is vested with relevant powers to carry out inspections of securities market participants and is entitled to impose certain sanctions thereon and to issue licenses to professional securities market participants to provide capital market services.

Investment in Securities

According to the information available on the KSE website, in 2021, the volume of stock exchange transactions amounted to KGS 27,977.7 with increase in the primary market and decrease in the secondary market.

Thus, in December 2020 alone, 236 transactions in securities of 34 companies in the amount of 4,745.54 million soms were registered on the KSE trading floor. As compared to November, there was a significant increase in the trading volume owing to transactions related to the offering of additional shares of Guarantee Fund OJSC and Keremet Bank OJSC. As a result of these transactions, the share of the primary market in the total trading structure in December was 99.6%.

There is also growth in trade in company shares in the secondary market

owing to the sector's largest transactions in common shares of Manas International Airport OJSC and Financial Company of Credit Unions OJSC. As for corporate bonds, the volume of transactions in the primary market decreased, on the contrary, the trading volume in the secondary market increased several times compared to November.

Corporate securities sector

Primary market

In the primary market, 32 transactions in corporate securities in the amount of 4,730.9 million soms were registered, including the largest transactions of the month, specifically, in common shares of Keremet Bank OJSC, Guarantee Fund OJSC, and KB Kyrgyzstan OJSC. In December, Salym Finance OJSC and Barkad LLC continued the offering of corporate bonds.

Keremet Bank OJSC held the offering of the 8th issue of common shares in the amount of 2,700.0 million soms at a price of 100 soms per share, the transaction was made in the interests of the National Bank of the Kyrgyz Republic, whose share in the authorized capital of Keremet Bank as a result increased to 97.45%.

In December, Guarantee Fund OJSC held the offering of the 6th issue of common shares in the amount of 2,000.0 million soms at a price of 100 soms per share. The total amount of funds raised by Guarantee Fund as a result of the offering of shares on the stock market in 2020 amounted to 3,000.0 million soms.

In December, CB Kyrgyzstan OJSC held the offering of the 22nd issue of shares in the amount of 10.0 million soms at the price of 5 soms per share.

MFC Salym Finance OJSC and Barkad LLC held the offering of corporate bonds in the total amount of 20.8 million soms. In December, MFC Salym Finance held the offering of the 6th issue of bonds in the amount of 11.9 million soms, Barkad LLC held the offering of bonds in the amount of 8.9 million soms.

Secondary market

In December, there were registered 204 transactions in the amount of 14.6 million soms in the secondary market. The largest transaction in common shares of Financial Company of Credit Unions OJSC in the amount of 5.6 million soms accounted for 38% of the secondary market sector, with the share price being 0.90-1.0 soms per unit.

In December, transactions in shares of strategic companies accounted for 18% of the secondary market volume including transactions in shares of Bishkekteploset OJSC, Kyrgyztelecom OJSC, Manas International Airport OJSC, NESK Kyrgyzstan OJSC, Sevelelectro OJSC, Electric Stations OJSC, Vostokelectro OJSC, Jalalabatelektro OJSC and Kyrgyzneftegaz OJSC. The total volume of trading in strategic securities amounted to 2.7 million soms.

Transactions in corporate bonds of MFK ABN OJSC, MFC Salym Finance OJSC, Ihsan Orix LLC and Pervaya Metallobaza LLC accounted for 31.7% of the sector volume amounting to 4.6 million soms. The price of Ihsan Orix bonds (in average +23.57 soms) and Pervaya Metallobaza LLC (in average +18.59 soms) exceeded the par value, bonds of ABN and Salym Finance were traded at par.

Securities Market Professionals

Currently, there is one officially registered licensed trade operator in the Kyrgyz Republic, Kyrgyz Stock Exchange CJSC (KSE) and one depository - the Central Securities Depository. In 2020, the Russian-Kyrgyz Development Fund became one of the shareholders of KSE CJSC. The shareholders of KSE CJSC are also the State Property Management Fund under the Government of the Kyrgyz Republic and Kazakhstan Stock Exchange JSC. In total, KSE CJSC has 17 shareholders.¹⁷⁸

As of January 1, 2019, there were 74 legal entities professionally engaged

¹⁷⁸ Source: website of the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic <https://www.kse.kg/ru/Auctioneers>

in securities market operations in the Kyrgyz Republic and holding 108 licenses. The distribution of licenses issued to securities market professionals is as follows: dealer services (37), broker services (35), security registrar services (16), trust manager services (11), investment fund services (4), depository services (3) and securities trade organizer services (2). After 2019, information on the number and composition of securities market professionals was not posted on the KSE website.

Professional securities market services can be provided by individuals or legal entities holding the following licenses:¹⁷⁹

- Security registrar services ;
- Depository services;
- Broker services;
- Dealer services;
- Trust manager services;
- Securities trade organizer services;
- Investment fund services.

Only commercial organizations may professionally engage in securities market operations. Non-profit organizations may engage in certain operations in the cases established by the laws of the Kyrgyz Republic. Securities market professionals engaged in broker and (or) dealer services may not make securities transactions with each other if any of them owns more than 25% share in the capital of another.

¹⁷⁹ Article 40.2 of the Law of the Kyrgyz Republic «On the Securities Market» dated July 24, 2009 No. 251

18. PUBLIC-PRIVATE PARTNERSHIP

Public-private partnership (PPP) is a form of long-term and mutually beneficial cooperation between government and business to solve socially meaningful tasks. It is used by government to enter into a long-term contract with a private partner for the planning/(re)construction and/or operation of infrastructural facilities such as roads and railways, hospitals, schools, kindergartens, water and heat supply networks, etc., in which they share or reallocate risks, costs, benefits, resources, and responsibilities. As a result, government can solve infrastructure problems by attracting private investment and business can earn money by providing infrastructure operator services.

Over a period of 29 years since gaining independence, the Kyrgyz Republic has been facing financial and economic constraints preventing the construction, financing and operation of infrastructural facilities and adversely affecting the living standards of the people. Taking these circumstances into account, the Government has been undertaking active efforts over the past few years to introduce and promote PPPs in the country. Thus, it has developed the PPP policy, legal and institutional frameworks and identified potential PPP projects.

Public Policy and Support for PPP

In 2016, as part of its efforts to create favourable conditions for practical implementation of PPP mechanisms in the Kyrgyz Republic, the Kyrgyz Government approved the PPP Development Program 2016-2021 designed to improve and enhance public administration, human potential, and public confidence and awareness regarding PPP.

On July 22, 2019, a new PPP Law was adopted, which entered into force on October 27, 2019. It eliminated a number of inconsistencies in the previous PPP Law 2012 and simplified procedures for preparing PPP projects and holding the tender.

The PPP Law sets forth general requirements for preparation and

implementation of PPP projects, powers and functions of PPP regulators, rights and obligations of public and private partners, state financial and economic support, private investment guarantees, PPP project stages and procedures, conditions precedent and mandatory provisions of the PPP agreement, financial close, dispute resolution and other provisions.

In 2014, as part of its efforts to support public partners (ministries, state committees, administrative departments, state-owned enterprises, etc.) involved in the preparation of PPP projects, the Government established the PPP Promotion Trust Fund to provide financing for consultancy services related to conducting of feasibility studies, drafting of tender documents and PPP agreements, evaluation of tenders and selection of preferred bidders.

Legal and regulatory framework for PPP

For private investors, a clear and predictable legal and regulatory framework is a critical factor for determination of investment decisions. The new PPP Law eliminated many inconsistencies in the previous PPP Law 2012. The latest amendments to the PPP Law were made on December 26, 2020, and entered into force on January 20, 2021. The PPP secondary legislation is currently being developed.

According to the latest amendments to the PPP Law, the Government has been included in the list of possible public partners, with which the private partner can conclude a PPP agreement for the implementation of a certain infrastructure project. In the initial version of the PPP Law of July 22, 2019, public partners could be: one or more state executive bodies, executive bodies of local self-government, state and municipal enterprises and institutions, joint-stock companies, 50 or more percent of the voting shares of which belong to the state, i.e. initially the Government was not included in this list.

Among other amendments is the change in the size of a large-scale PPP project: previously, it amounted to 700 million soms, now this threshold increased to 1 billion soms. In addition, the concept of a small-scale PPP

project has been introduced (70 million soms or less). Now, to participate in a tender, including for large-scale PPP projects, it is enough to submit one application, previously large-scale projects required at least two bidders, otherwise the tender could be declared invalid.

In addition to the above, important amendments include the concept of direct negotiation, i.e. certain cases in which the tender for selection of private partner is not required. In particular, according to the PPP Law, selection of private partner by direct negotiation can occur in the following cases:

1. when the state of emergency or emergency situation is duly declared to ensure public safety and protection of the constitutional order, as well as in the post-crisis period, determined by the Government of the Kyrgyz Republic to solve problems arising from the state of emergency or emergency situation in the territory of the Kyrgyz Republics related to the solution of crisis situations;
2. when large-scale PPP projects initiated by the Government of the Kyrgyz Republic and large-scale projects initiated by the interested parties and approved by the Government of the Kyrgyz Republic, are implemented and coordinated with the designated PPP authority and the financial risk management authority;
3. when the PPP project is initiated by the interested party in relation to its property;
4. when the PPP project is inextricably linked with the exercise of exclusive rights to intellectual property belonging to the interested party;
5. when small-scale PPP projects are implemented.

According to Article 17-1.2 of the PPP Law, the process of selection of private partner by direct negotiation consists of the following stages:

1. preparation of PPP project initiation proposal or unsolicited proposal;
2. approval of PPP project initiation proposal or adoption of decision to accept unsolicited proposal;

3. notification of the designated PPP authority about the preparation of PPP project within 3 calendar days from the date of approval by the public partner of the PPP project initiation proposal or decision to accept unsolicited proposal;
4. negotiation with potential private partners on the terms of the PPP agreement, subject to the criteria approved by the designated PPP authority;
5. the draft PPP agreement is approved by the designated PPP authority and the financial risk management authority in terms of budgetary risks, if the project is supposed to be funded from public sources;
6. the public-private partnership agreement is concluded.

Thus, the latest amendments to the PPP Law resulted in the simplification of procedures for preparation of PPP projects and selection of private partner, inclusion of the Government in the list of authorities eligible to act as a public partner in PPP agreements, and introduction of new rules for selection of private partner by direct negotiation, i.e. without tender.

Institutional Framework for PPP

Effective and efficient institutional framework is the precondition for the successful implementation of PPP projects. Currently, an institutional framework for PPP is made up of the following public agencies:

- Ministry of Economy, a public agency responsible for implementing the state policy and development programs on PPPs, ensuring prior coordination (before approval by the public partner) of tender documentation (RfQ, RfP, and PPPA) for PPP projects to be financed by public funding ;
- Ministry of Finance, a public agency for risk management responsible for prior coordination of tender documentation for PPP projects to be financed by public funding in terms of a risk to public funds;
- PPP Unit of the Ministry of Economy of the KR, a public agency established by the Government and responsible for the promotion, implementation and support of PPP projects, as well as assisting the

government and local authorities to prepare and implement the PPP projects.

PPP Projects

The Ministry of Economy has determined the projects that are most suitable to be developed as PPPs in transport, healthcare, education, sport, culture, or energy sectors, for instance, municipal roadside parking, computed tomography scanners installation in health organizations and other projects¹⁸⁰. Currently, these projects are in preparation.

The PPP hemodialysis services in Bishkek, Osh and Jalal-Abad Project is the first PPP project implemented in the Kyrgyz Republic and the first PPP healthcare project undertaken in Central Asia.¹⁸¹ On August 15, 2017, the country's first PPP agreement was signed between the Ministry of Healthcare, as a public partner, and Fresenius Medical Care Deutschland GmbH (Germany), as a private partner. Moreover, this project has been named among the five best healthcare projects (along with UK and Turkey) by the Partnerships Awards 2018.¹⁸²

At the moment, a number of PPP projects in public transport and culture sectors are being implemented in the field of education (project on construction of 20 schools), healthcare (project on installation of computed tomography scanners in healthcare organizations and project on creation of medical rehabilitation center in Kyrgyzstan). The last three projects are being implemented with legal support from K&A.

180 <http://ppp.gov.kg/ru/proekty2/>.

181 <http://ppp.gov.kg/ru/proekty2/>.

182 <http://partnershipsawards.partnershipsevents.com/shortlist>.

CONCLUSION

This information guide attempts to address as fully as possible the issues faced by investors who wish to establish and conduct business in the Kyrgyz Republic. Nevertheless, we understand that it may not answer all your questions, as business and its regulation have multiple aspects. Moreover, any specific business situation involves a variety of questions, the answers to which can be found not only in law provisions, but also in the practice of their application.

However, we hope that the guide will suffice as a starting point for understanding business conduct in the Kyrgyz Republic better, and will help entrepreneurs and companies planning or conducting business in the Kyrgyz Republic to make their business more efficient.

Any comments on this guide would be greatly appreciated and should be e-mailed to: lawyer@k-a.kg (marked "Guide to Business in the Kyrgyz Republic: Legal Aspects").

This publication is offered for information purposes only and does not constitute official legal or any other special advice.

Information about Kalikova & Associates Law Firm

About Us

Kalikova & Associates law firm (K&A) has been providing the legal services since 2002. Over this period, K&A has grown into the leading law firm in Kyrgyzstan specializing in business law services which is also confirmed by the fact of being listed in a number of international legal directories.

Over the years of its operation, K&A has accumulated a vast and diverse experience in providing legal services to companies doing business in Kyrgyzstan, including foreign investors, international organizations and diplomatic missions. K&A lawyers have consulted on a number of major investment projects in Kyrgyzstan in various areas such as mining, recreation services, financing from international financial institutions, telecommunications etc.

Team is the main asset of any law firm. K&A legal team is comprised of lawyers who are graduates of leading national and international law schools, practicing as licensed attorneys at law, patent attorneys, certified PPP professionals.

Before joining K&A, lawyers gained extensive experience working for governmental, international commercial and non-commercial organizations, large companies operating in different business areas. Our lawyers completed internships in leading law firms in the United States and Europe, are members of the Bar Association of the Kyrgyz Republic, members and arbitrators of the Chartered Institute of Arbitrators in the UK, the Qinzhou Arbitration Commission in China, the Riga International Commercial Arbitration Court in Latvia, the Georgian International Arbitration Centre in Georgia, the Arbitration Centre in Kazakhstan and the International Court of Arbitration at the Chamber of Commerce and Industry in the Kyrgyz Republic. The K&A team includes licensed attorneys, certified PPP specialists and certified patent attorneys.

Our Mission

Our mission is to facilitate business development in the Kyrgyz Republic by rendering legal services that meet high standards of professional and ethical conduct.

Our Professional Objectives

We strive to provide highly professional legal services in Kyrgyzstan based on the following principles:

- Working in a team environment
- Understanding our clients' businesses
- Producing efficient solutions based on the knowledge and understanding of not only legal, but also economic, political and cultural environment in Kyrgyzstan
- Maintaining high standards of professional conduct

Our Products

We produce efficient legal solutions to protect, support and promote our clients' business.

Areas of Practice

We provide services in the following areas:

- Antimonopoly Regulation & Competition
- Contracts
- Corporate Issues & Capital Market
- Employment & Migration
- Environmental Protection, Health & Safety
- Intellectual Property
- International Trade, Customs & Technical Regulation
- Legislative Policy & Regulatory Practice
- Litigation & Arbitration

- Mergers & Acquisitions, Business Restructuring & Reorganization
- Product Liability
- Project Finance
- Public-Private Partnership
- Taxation

We offer advice on the legal regulations of the following industries:

- Aviation
- Banking, Microfinance & Insurance
- Construction & Real Estate
- Education Services
- FMCG
- Hotel & Recreation
- Hydroenergy
- IT & Telecommunications
- International Organizations, Local Non-Governmental Organizations
- Mass Media
- Mining & Exploration
- Oil & Gas
- Pharmaceuticals & Beauty Products
- Tobacco & Alcohol

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