

GLOBAL
EMPLOYER
GUIDE

KYRGYZSTAN





Basic Country Facts

Full name

- Kyrgyz Republic

Capital

- Bishkek

Main Languages

- Kyrgyz
- Russian

Population

- 6.316 million

Monetary unit

- Kyrgyzstani som

Internet domain

- .kg

International dialing code

- +996

Currency

- Kyrgyzstani som



STATUTORY LABOR REQUIREMENTS

Probation Period

- Probationary periods are limited to 3 months, or for managers and similar positions, 6 months.

Annual Leave

- Employees are generally entitled to 4 weeks of paid annual leave, which can be taken all at once or 2 weeks at a time.

Public Holidays

- New Year's Day (1st January)
- Orthodox Christmas Day (7th January)
- Defender of the Fatherland Day (24th February)
- International Women's Day (9th March)
- Nowruz (21st March)
- Day of the People's April Revolution (7th April)
- Labor Day (1st May)
- Constitution Day (5th May)
- Victory Day (9th May)
- Eid al-Fitr
- Eid al-Adha
- Independence Day (31st August)



Maternity Leave

- Female employees are entitled to 136 calendar days of maternity leave, 70 days to be used before the birth and 56 calendar days after the birth.
- Women are paid through the state social insurance.
- Employees may also be eligible for unpaid maternity leave until the child reaches 18 months of age, and this can be increased by an additional 18 months.

Paternity Leave

- In Kyrgyzstan fathers can have a childcare leave
- However, it is not paid.

Sick Leave

- In general, employees are entitled to paid sick leave.

Severance

- Employees are generally entitled to a severance payment, the amount of which is dependent on the reason for termination.

13th Month

- 13th month pay is not mandatory

Work Hours

- In general, the work week is 40 hours: 5, 8-hour days.

Overtime

- Overtime must be paid at least time and half of the worker's normal pay for the first two hours and double time thereafter.
- Holiday and weekend work must be paid at least double time the worker's normal pay rate.

Notice Period

- 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.
- After the probationary period, the written notice period is dependent on the cause for termination.



Income Tax

- Kyrgyzstan citizens who are tax residents should be taxed on their worldwide income.
- Kyrgyzstan citizens who are not residents for tax purposes and foreign citizens are taxed on their Kyrgyzstan-source income only.
- A single flat rate of 10% is applicable to most types of individual income.
- There are no additional local taxes on income.

Income Tax	
Flat Rate	10%

Social Security

- Taxpayers of social insurance contributions are legal entities (employers'), farms, and individuals.
- Generally, the base for calculation includes the gross remuneration of local and foreign personnel.
- In accordance with the Instruction 'On Statutory Social Insurance Contributions', the current rates are as follows:

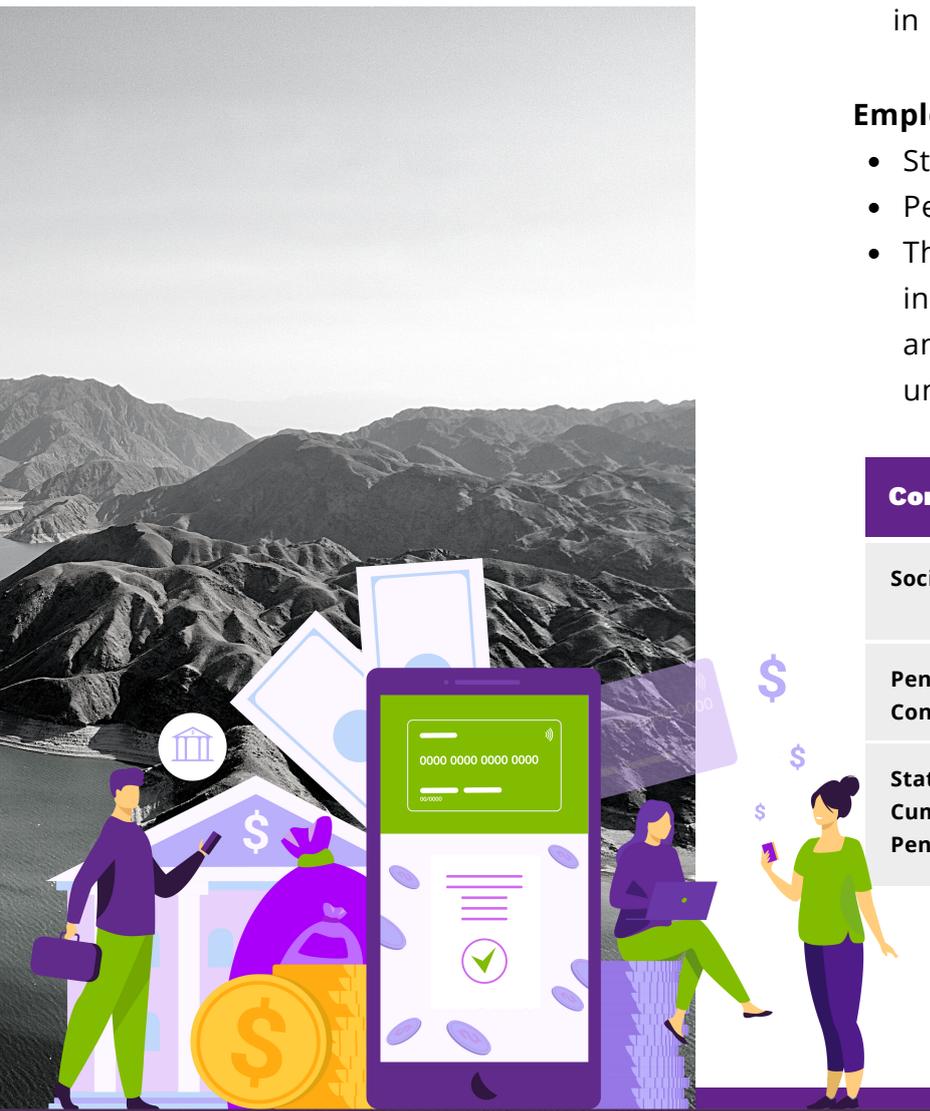
Employer:

- Social contributions: 2.25% (2% to the fund of obligatory social security, 0.25% to the employees' health fund).
- Pension contributions: 15% (3% in respect of foreigners temporary residing in Kyrgyzstan).

Employee:

- State cumulative pension fund: 2%.
- Pension contributions: 8%.
- There are separate treatments on social insurance contributions for employees and employees with disabilities working under labor agreements.

Contribution	Employer	Employee
Social Security	2.25%	-
Pension Contribution	15%	8%
State Cumulative Pension Fund	-	2%



Deductible Expenses

- The following personal deductions are allowed by the Kyrgyz Tax Code:
 - Education for a taxpayer and dependents, but not more than 10% of the aggregate taxable income.
 - Interest payments under mortgage loans, but not more than KGS 230,000 annually.
 - These deductions are available only upon submission of the tax return to the tax authorities along with the special application form and all supporting documentation.
- Standard deductions available for employees are as follows:
 - 6.5 CI (Calculated Index = KGS 100).
 - 1 CI for each dependent per month.
- In addition, Kyrgyzstan legislation stipulates additional deductions for certain social categories (e.g. war veterans, individuals with state honorary titles).

Deductible Expenses	
Personal Deductions	<ul style="list-style-type: none"> • Education for a taxpayer and dependents, but not more than 10% of the aggregate taxable income. • Interest payments under mortgage loans, but not more than KGS 230,000 annually. • These deductions are available only upon submission of the tax return to the tax authorities along with the special application form and all supporting documentation.
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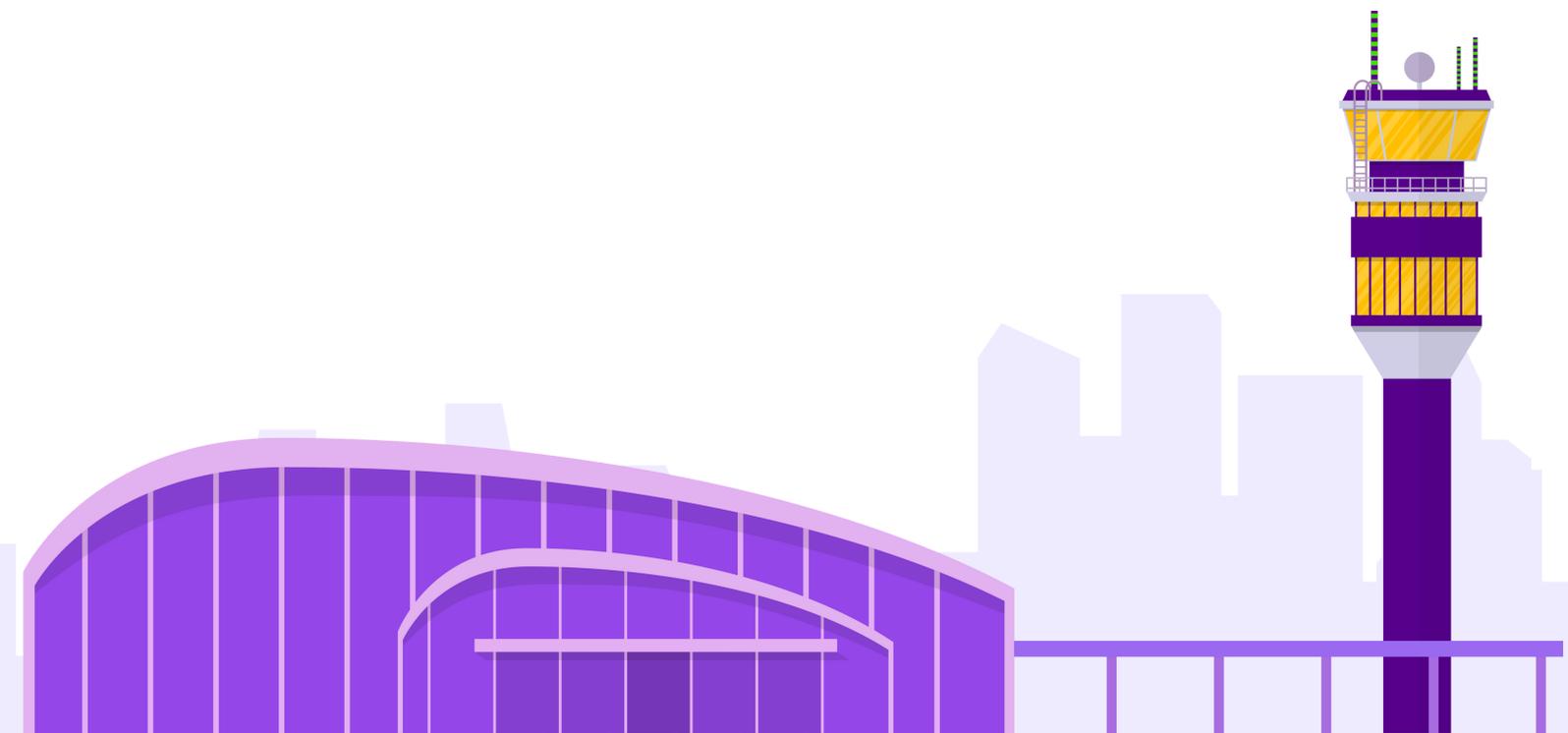


Immigration

- Most foreign employees will need a work visa as well as a work permit to enter and work in the Kyrgyz Republic.
- The required documents differ by visa type, the employee's nationality, and more, but some of the common requirements include:
 - A completed visa application form
 - A passport
 - One passport-size color photo
 - A letter from you inviting the individual to the Kyrgyz Republic
- Payment of the visa fees
- The State Migration Service issues two types of work permits — those authorizing the hiring and employment of foreigners (an Employment Permit) and those authorizing foreigners or stateless persons to work in the country (an Employee Permit).
- Keep in mind that the government has annual quotas for hiring foreign and stateless employees, and those quotas vary by industry and region.
- The government approves these numbers annually, so they often change year to year.
- The majority of work permits in the Kyrgyz Republic are valid for one year with the possibility of an extension.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • A completed visa application form • A passport • One passport-size color photo • A letter from you inviting the individual to the Kyrgyz Republic Payment of the visa fees	1 year (can be extended)	<ul style="list-style-type: none"> • Most foreign employees will need a work visa as well as a work permit to enter and work in the Kyrgyz Republic.



Value Added Tax (VAT)

- In Kyrgyzstan, VAT is assessed on taxable supply and taxable imports.
- The VAT rate is 12%, except for certain zero-rated supplies and certain exempt turnover.

VAT	
Standard Rate	12%
Zero Rate	0%



Withholding Tax

Dividends

- Dividends paid to a nonresident entity or an individual are subject to a 19% withholding tax, unless the rate is reduced under a tax treaty

Interest

- Interest paid to a nonresident entity or an individual is subject to a 10% withholding tax, unless the rate is reduced by a tax treaty

Royalties

- Royalties paid to a nonresident entity or an individual are subject to a 10% withholding tax, unless the rate is reduced by a tax treaty

Technical Service Fees

- Technical service fees paid to a nonresident or an individual are subject to a 10% withholding tax, unless the rate is reduced by a tax treaty.

Residents	
Dividends	10%
Interest	10%
Royalties	10%
Technical Service Fees	10%



Termination

- 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.
- Employees holding indefinite term contracts may be terminated based on the grounds stated in the labor code.
- After the probationary period, the written notice period is dependent on the cause for termination.
- Employees are generally entitled to a severance payment, the amount of which is dependent on the reason for termination.

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Benefits



Payments and Invoicing

- For income tax withheld at source (i.e. payroll income), the taxable period is a month.
- For income tax not withheld at source (i.e. other than payroll income), the taxable period is a calendar year.
- A tax agent is obligated to submit the tax returns on individual income tax withheld at source (i.e. payroll income) no later than the 20th day of the month following the month of income payment.
- Moreover, an individual should submit a tax return on income tax not withheld at source (i.e. other than payroll income) before 1 April of the year following the reporting year.
- Tax agents withhold income tax no later the date of income payment.
- Tax is due prior to the 20th day of the month following the month of income payment.
- For income not taxed at source, income tax payment should generally be made before 1 April of the year following the reporting year.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Kyrgyzstan ranked 80th in the World in 2019 in terms of ease of doing business.



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