

GLOBAL
EMPLOYER
GUIDE

TURKMENISTAN





Basic Country Facts

Full name

- Turkmenistan

Capital

- Ashgabat

Main Languages

- Turkmen
- Russian

Population

- 5.851 million

Monetary unit

- Turkmenistan manat

Internet domain

- .tm

International dialing code

- +993

Currency

- Turkmenistan manat



STATUTORY LABOR REQUIREMENTS

Probation Period

- The probationary period cannot exceed 3 months for workers and 6 months for managerial employees.

Annual Leave

- Employees automatically receive paid annual leave of 24 calendar days per year
- A longer vacation is granted to teachers, professors, and disabled persons, who receive 35 calendar days per year of paid annual leave.

Public Holidays

- New Year's Day (1st January)
- Memorial Day (in Turkmenistan (13th January)
- Flag Day (19th February)
- International Women's Day (8th March)
- Victory Day (9th May)
- Revival and Unity Day (18th May)
- Eid al-Fitr
- Eid al-Adha
- Earthquake Remembrance Day (6th October)
- Independence Day (27th October)
- Day of Neutrality (12th December)

Maternity Leave

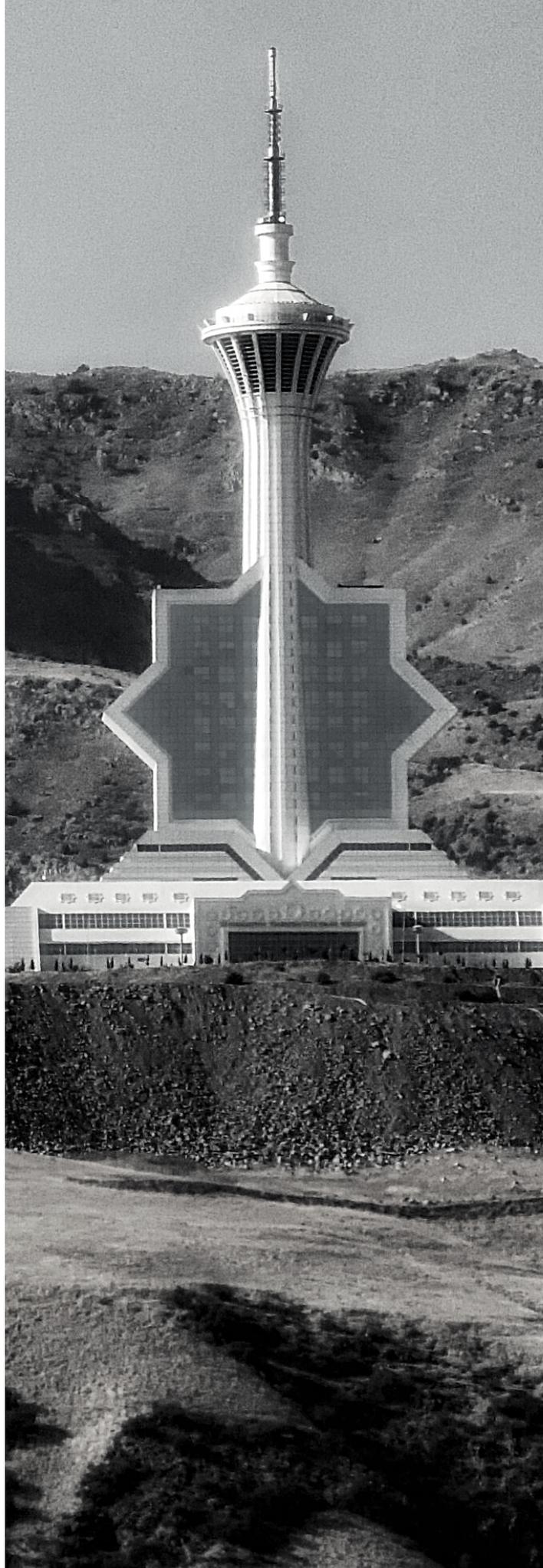
- Women in Turkmenistan receive 112 calendar days of social leave for pregnancy and child birth, 56 days prior to and 56 days after childbirth.

Paternity Leave

- There is no paternity leave

Sick Leave

- There is no mandatory sick leave



Work Hours

- Normal working hours may not exceed 40 hours per week
- Reduced working time is set:
 - for workers between the ages of sixteen and eighteen year
 - no more than 36 hours' week, for persons under the age of sixteen years
 - no more than 24 hours a week
 - for workers engaged in work with harmful, difficult conditions - not over 36 hours a week.

Overtime

- Overtime work shall not exceed for each employee four hours for two consecutive days and 120 hours per year.

Notice Period

- The terms of notice, as well as cases and amounts paid under termination of employment contract termination benefits and other compensation determined by the employment contract.
- The notice period varies from half a month to 2 months

Severance

- Redundancy or severance pay is equal to half a month's to 2 months' salary depending on the duration of employment

13th Month

- 13th month pay is not mandatory



Income Tax

- Residents are generally taxed in Turkmenistan on their worldwide income, including in-kind benefits such as meals, housing, relocation, etc.
- Non-residents are taxed in Turkmenistan only on their income derived from Turkmenistan sources (e.g. from their activities performed in Turkmenistan).
- Personal income tax (PIT) is generally levied by withholding at source when the payment is made by withholding agents (i.e. resident legal entities, individual entrepreneurs, and permanent establishments [PEs] of non-resident legal entities).
- This does not apply to business income of individual entrepreneurs, who are required to apply the self-assessment procedure.
- The general PIT rate is 10%, which applies to employment income, business and professional income, interest, royalties, income from immovable property, and capital gains.
- The tax is generally withheld at source.
- In the case of business and professional income, the tax is levied on a self-assessment basis.

| Income Tax Rate | |
|-----------------|-----|
| Flat Rate | 10% |

Social Security

- Pension insurance is payable by employers at 20% of the total remuneration provided to local employees.
- Additional 3.5% obligatory professional pension insurance is levied on employers with respect to employees who work under hazardous conditions.
- Employees may participate in a voluntary pension insurance, the minimum rate for which is established at 2% of total remuneration.
- Income paid to expatriate employees should not be subject to the pension insurance payments.

| Contribution | Employer | Employee |
|--------------------------------|----------|----------|
| Pension insurance | 20% | - |
| Professional Pension Insurance | 3.5% | - |
| Voluntary Pension Insurance | - | 2% |



Deductible Expenses

- Personal allowances are generally immaterial in Turkmenistan.
- In general, the corporate income tax (CIT) rules apply when determining the deductible expenses for entrepreneurial activities
- Apart from expenses incurred in the course of acquiring business and professional income, personal deductions are granted only in respect of income that is taxable at the rate of 10%.
- The law requires documentary proof of the expenses incurred.

Deductible Expenses

- Personal allowances are generally immaterial in Turkmenistan.
- In general, the corporate income tax (CIT) rules apply when determining the deductible expenses for entrepreneurial activities
- Apart from expenses incurred in the course of acquiring business and professional income, personal deductions are granted only in respect of income that is taxable at the rate of 10%.
- The law requires documentary proof of the expenses incurred.



Immigration

- The government in Turkmenistan issues a variety of visas to foreign nationals who intend to visit.
- Transit visas are available to foreign nationals who need to pass through Turkmenistan on their way to another destination.
- Tourist visas are also available to those who plan to visit the country, although they are required to have a guide with them throughout their stay.
- Foreign nationals who plan to stay in Turkmenistan for an extended period will need to get a visa that is categorized by the length of their intended stay. Visas may be purchased based on one's intended length of stay:
 - Up to 10 days and nights
 - Up to 20 days and nights
 - Up to one month
 - The number of months required in increments of one, up to one year
- Foreign nationals who need to travel to Turkmenistan for work should begin the application process by getting in touch with the embassy, consulate, or diplomatic mission in their country of residence.
- One of the requirements is a letter of invitation from the applicant's employer in Turkmenistan.
- For this document to be valid, the State Migration Service of Turkmenistan must certify it.
- The letter will be valid for three months after the date of certification.



| Type of Visa/ Permits | Documentation | Validity | Eligibility |
|--------------------------|--|--------------|---|
| Work Visa | <ul style="list-style-type: none"> • A duly completed visa application form • Proof of identity, such as a driver's license • A passport that is valid for at least six months beyond the date on the applicant's letter of invitation • A copy of the first page of the passport, which must be signed by the applicant • A recent passport photograph • A letter of invitation from a business registered in Turkmenistan • Proof of payment of the visa registration fee | Up to 1 year | <ul style="list-style-type: none"> • Foreign nationals who intend to work in Turkmenistan must apply for a work visa |

Value Added Tax (VAT)

- VAT is generally payable at the rate of 15%.
- A zero-rate applies to exports of goods (except for oil and gas) and international transport services.

| VAT | |
|---------------|-----|
| Standard Rate | 15% |
| Zero Rate | 0% |



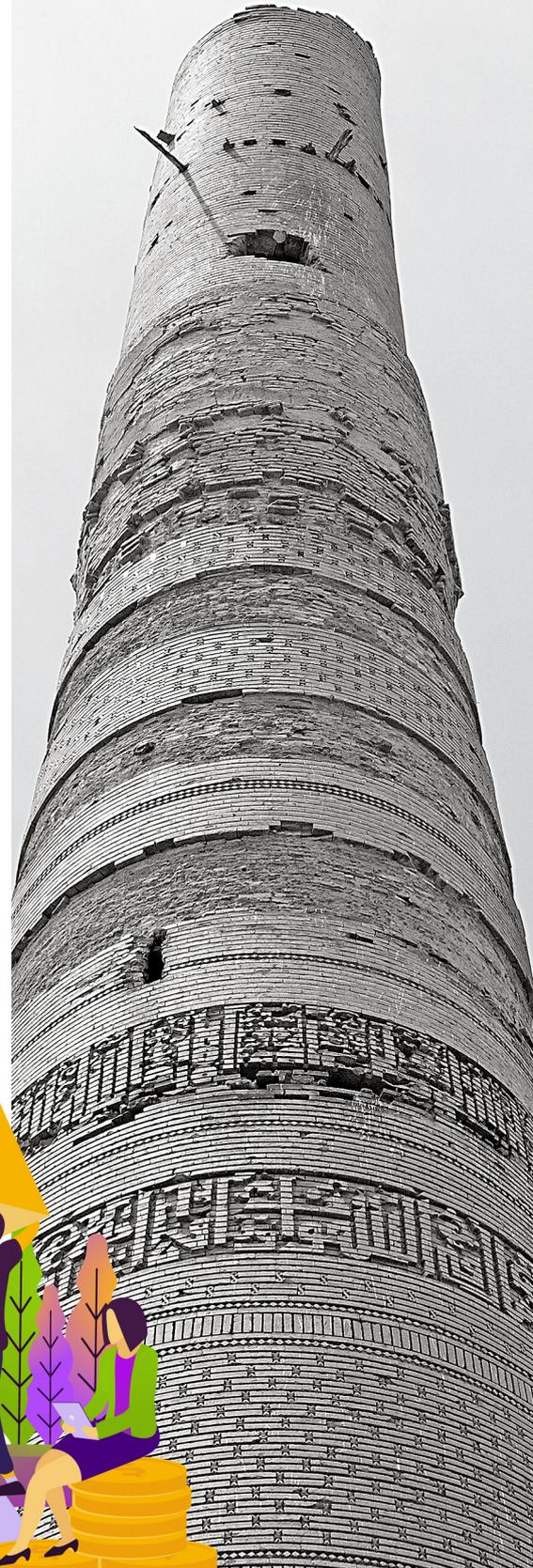
Withholding Tax

Dividends

- A 15% withholding tax is levied on the gross amount of dividends paid to a resident or nonresident company and a 10% withholding tax is levied on dividends paid to a resident or nonresident individual, unless the rate on payments to a nonresident is reduced under an applicable tax treaty

Interest

- No withholding tax applies to interest paid to a resident company or a nonresident company with a PE in Turkmenistan, but the interest must be included as part of gross income for corporate income tax purposes
- A 10% withholding tax is levied on interest paid to a resident individual
- However, interest on banking deposits for individuals that are not entrepreneurs is exempt
- A 15% withholding tax is levied on interest paid to a nonresident company without a PE in Turkmenistan and a 10% withholding tax is levied on interest paid to a resident individual, unless the rate is reduced under an applicable tax treaty



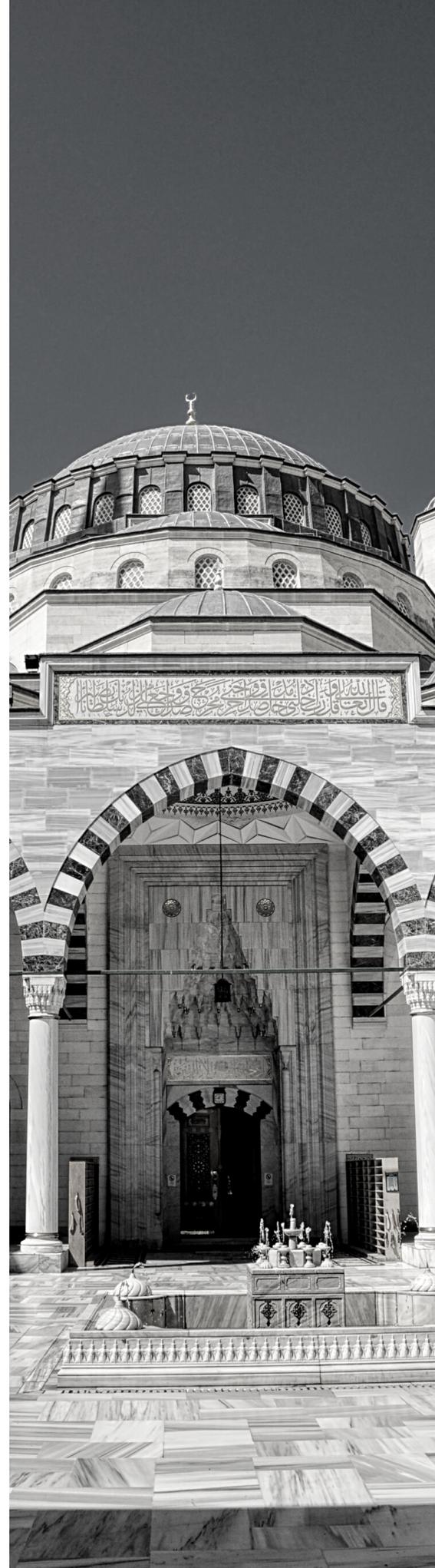
Royalties

- No withholding tax applies to royalties paid to a resident company or a nonresident company with a PE in Turkmenistan, but the royalties must be included as part of gross income for corporate income tax purposes
- A 15% withholding tax is levied on royalties paid to a nonresident company without a PE in Turkmenistan and a 10% withholding tax is levied on royalties paid to a resident or nonresident individual, unless the rate on payments to a nonresident is reduced under an applicable tax treaty

Fees for Technical Services

- A 15% withholding tax is levied on fees for technical assistance paid to a nonresident company without a PE in Turkmenistan and a 10% withholding tax is levied on fees for technical assistance paid to a resident or nonresident individual, unless the rate on payments to a nonresident is reduced under an applicable tax treaty

| Type of Payment | Residents | | Nonresidents | |
|------------------------------|-----------|------------|--------------|------------|
| | Company | Individual | Company | Individual |
| Dividends | 15% | 10% | 15% | 10% |
| Interest | 0% | 0%/10% | 15% | 10% |
| Royalties | 0% | 10% | 15% | 10% |
| Technical Service Fee | 0% | 10% | 15% | 10% |



Termination

- Valid grounds for termination are as follows:
 - - liquidation of the enterprise or termination of activities by an individual employer;
 - a reduction in the number or staff of workers, including in connection with changes in production technology, organization of labor, reduction in the volume of work
 - the employee's inconsistencies with the position held or the work performed due to insufficient qualifications, including those confirmed by the certification results;
 - change of the owner of the enterprise (in relation to the head of the enterprise, his deputies and the chief accountant) in accordance with the first part of Article 37 of this Code;
 - absence from work for more than four months in a row due to temporary disability, not counting the period of maternity leave, unless the legislation of Turkmenistan establishes a longer term for maintaining a place of work (position) for a specific disease. For employees who have lost their ability to work due to labor injury or occupational disease, the place of work (position) is maintained until the restoration of working capacity or the establishment of disability;
 - systematic non-performance by an employee without valid excuses of employment duties assigned to him by the employment contract or the internal labor regulations of the enterprise, if the employee has previously been subject to disciplinary measures;
 - absenteeism, including absence from work without good reason for more than three hours during the working day;
 - appearance at work in a state of alcoholic, narcotic or other toxic intoxication;
 - the disclosure of secrets protected by the legislation of Turkmenistan (state, commercial, official and other), which became known to the employee in connection with the performance of his job duties;
 - commission at the place of work of embezzlement of property, embezzlement, its deliberate destruction or damage established by a valid court verdict or decision of the body whose competence includes the imposition of an administrative penalty;
 - violation by an employee of labor protection requirements, if this violation entailed grave consequences (work accident, accident, catastrophe) or deliberately created a real threat of such consequences;
 - in case of revealing the fact of submission by the employee to the employer of forged documents or knowingly false information when concluding an employment contract;
 - stipulated by the employment contract with the head of the enterprise, members of the executive body of the enterprise

Payments and Invoicing

- Tax agents file monthly reports on income paid and taxes withheld before the 25th day of the month following the reporting one.
- Foreign national tax residents of Turkmenistan receiving income from sources outside Turkmenistan and persons receiving income where the tax is not withheld by tax agents should file a PIT declaration with Turkmen tax authorities by 1 April following the year of reporting/residence.
- Generally, PIT is withheld by tax agents (employers) and remitted to the state budget.
- Tax agents shall remit the tax withheld at the time of salary distribution.
- The tax liability assessed per the PIT declaration is payable to the state budget by taxpayers not later than 15 April following the reporting year.

Statutory Benefits

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

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Notice Period

Severance Pay

Social Security Benefits



GLOBAL
EMPLOYER
GUIDE
TURKMENISTAN

