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## **Taxation of noncommercial organizations according to the new Tax Code of the Kyrgyz Republic**

### **§ 1. Introduction**

From January 1, 2009 the new Tax Code of the Kyrgyz Republic will enter into force. The new Tax Code shall include the following substantial novelties:

- number of taxes will decrease from 16 to 8,
- VAT rate will decrease from 20% to 12%,
- three indirect taxes (1) tax on the use of automobile roads, (2) allocations to the special fund for prevention and liquidation of emergency situations and (3) tax on rendering chargeable goods and services to individuals, will be combined into a single indirect sales tax on goods and services,
- a new tax will be introduced– property tax,
- and others.

In the new Tax Code there are also changes in taxation of noncommercial organizations (NCO). In compliance with the new Tax Code there are two regimes of NCO taxation: (1) for all NCOs and (2) for those NCOs, which will carry out their activity as charitable organizations.

### **§ 2. NCO taxation**

In part 11 of article 153 of the new Tax Code there is a definition for the notion of NCO for taxation purposes, according to which:

**"Noncommercial organization"** – organization, fulfilling the following requirements:

- 1) the given organization is registered in organizational and legal form, provided by the legislation of the Kyrgyz Republic for noncommercial organizations;
- 2) the given organization does not pursue profit-making as the main goal of its activity and does not distribute received profit among its members, founders and officials.

The given definition was transposed without changes to the new Tax Code from the existing Tax Code.

At the present time there are the following organizational and legal forms of NCO in the legislation of the Kyrgyz Republic:

- 1) Public Association;
- 2) Foundation;
- 3) Institution;
- 4) Union (association) of legal entities;
- 5) Noncommercial cooperative;
- 6) Partnership of owners of housing (condominium);
- 7) Association of water users;
- 8) Jamaat (community organization);
- 9) Credit union;
- 10) Stock exchange;
- 11) Self-regulating organization of professional participants of equity market;
- 12) Private Pension's Fund;
- 13) Association of employers;
- 14) Trade Union;
- 15) Political party;
- 16) Religious organization.

According to data of National statistics committee more than 18 000 NCOs are registered in the Kyrgyz Republic.

The new Tax Code will stimulate the development of NCO in a certain way, as it preserved traditional exemptions from profit tax of noncommercial income of NCO like grant, humanitarian assistance, endowment, and membership and entrance fees. In parts 6, 7, 29 and 4 of article 153 of the new Tax Code following definitions are given:

6) «**Grant**» - assets, free of charge transferred by states, international, foreign and domestic organizations to the Government of the Kyrgyz Republic, bodies of local self-administration, state bodies, as well as to noncommercial organizations, **not participating in the support of political parties or candidates of election campaigns**;

7) «**Humanitarian assistance**» - assets, free of charge transferred by states, organizations to the Government of the Kyrgyz Republic, bodies of local self-administration, state bodies, noncommercial organizations, as well as to needy individuals, in the form of food, hardware, outfit, equipment, medical drugs and medicines, and other property for improvement of life conditions and mode of life of the population, as well as for warning and liquidation of emergency situation of military, ecological and technogeneous character, on conditions of their further use and/or free of charge distribution.

29) «**Membership fees**» - assets, transferred by member of noncommercial organization, in the amount and in order, provided in constituent documents of this organization, on conditions that this transfer shall not be conditioned by counter rendering of goods, works, services to member of the given organization either free of charge or at the price, lower than their self-cost;

4) «**Entrance fees**» - assets, transferred by a person, during his/her entrance to the noncommercial organization, based on membership in the amount and in order, provided in constituent documents of the given organization, on conditions that the given transfer shall not be conditioned by counter rendering of services to the member of the given organization free of charge or at the price lower than their self-cost.

Definitions of notions “**humanitarian assistance**”, “**membership fees**” and “**entrance fees**” were transported to the new Tax Code from the existing Tax Code without any changes.

In the definition of the notion “**grant**” such words as “**except for organizations, pursuing political purposes**” were replaced by words “not participating in the support of political parties or candidates of election campaigns”. These changes carry positive character, as words “**political purposes**” can be interpreted in a broad sense. In a broad sense, “politics” means – state affaires (or common affaires). Due to this fact, notion “political purposes” could include in itself not only “strive for power”, but also such goals as “development of democracy”, “war against poverty”, “fight for honest elections” and many others. Consequently, tax bodies could reject recognizing certain sum for implementation of certain program as grant, for instance, program financing, targeted at the war against poverty. Words, used in the new Tax Code “**not participating in the support of political parties or candidates of election campaigns**” specify the goals of the given ban and do not allow artificially giving them broad interpretation.

In part 3 of article 189 of the new Tax Code such norms, which were present in part 6 of article 93 of the existing Tax Code are preserved, according to which membership and entrance fees, humanitarian assistance, grants and endowments are exempt from profit tax:

**«Article 189. Non-taxable incomes**

1. The following incomes are free from profit tax:

3) received by noncommercial organizations:

a) membership and entrance fees;

b) humanitarian assistance and grants, on conditions that their use is only for charter purposes;

c) the value of free of charge received assets on conditions that their use is only for charter purposes».

According to part 2 of article 212 of the new Tax Code income of communities of disabled persons of I and II group are free from taxation, as well as of enterprises of Kyrgyz community of blind and deaf people, where disabled, blind and deaf persons shall compose not

less than 50 percent from the whole number of employed and their salary shall compose the sum not less than 50 percent from the total fund of labor remuneration. The list of indicated enterprises shall be determined by the Government of the Kyrgyz Republic. The given list is not limited and along with enterprises NCO of disabled persons could also be included.

As regards VAT, the new Tax Code does not exempt NCO fully from this tax, however prescribes the exemption of specific activities of NCO. In article 252 of the new Tax Code such norms, which were present in parts 2 and 3 of article 145 of the existing Tax Code are also preserved:

**«Article 252. Supplies by noncommercial organizations**

Supplies by noncommercial organization for payment, which do not exceed the expenses to carry out these supplies, are free from VAT, if these supplies are:

- 1) for social welfare and protection of children or indigent citizens of advanced age; or
- 2) in the sphere of education, medicine, culture and sports».

In compliance with part 5 of article 343 of the new Tax Code some kinds of NCO are free from land tax:

**«Article 343. Exemption from taxation**

If the otherwise is not provided by the present section, the following categories of lands are free from taxation:

- 5) lands of organizations of disabled persons, war participants and similar categories of people and lands of communities of blind and deaf people».

In all other cases organizational and legal form of NCO is not a ground for application of any specific tax regime according to the new Tax Code. If NCO does receive profit in the process of its activity, it is profit tax payer as well as all other subjects. If the volume of taxable supplies by the given organization reaches in the period of 12 consequent months the registration threshold on VAT (today it is 4 mln. soms), then it is VAT payer. Workers of NCO pay income tax from received incomes. If organization has taxable base on sales tax, then this tax also is subject to payment. NCO is also taxed by local taxes and fees, property tax and land tax.

### **§ 3. Taxation of charitable organizations**

The existing Tax Code prescribes the procedure for preliminary recognition of NCO as charitable organization (procedure of certification) by tax bodies. In part 4 of article 9 of the acting Tax Code the following definition of the notion **“charitable organization”** is given:

**“charitable organization”** – noncommercial organization: (1) created and carrying out its activity in compliance with the legislation on noncommercial organizations and charitable activity; (2) not dealing with the activity on production and sale of excise goods and gambling business; (3) **which received in established by law procedure document, issued by tax bodies, certifying its rights for tax benefits in compliance with articles 112 and 145 of the present Code.**

Despite the fact that in Kyrgyzstan since 1999 the Law “On philanthropy and charitable activity” has been in force and certain tax benefits are prescribed for charitable organization, the number of NCOs, which received the status of “charitable organization” is very small. According to the acting Tax Code, charitable organizations are not enjoying substantial benefits, in comparison to other NCOs, despite the fact that they should comply with stricter requirements.

The new Tax Code prescribes substantial tax benefits for charitable organizations. Charitable organizations are free from (1) profit tax (for all kinds of incomes), (2) VAT, if the supplies are for charitable purposes, (3) sales tax

In article 208 of the new Tax Code there is an encouraging norm for legal entities and individual entrepreneurs to make endowments for the benefit of charitable organizations:

#### **«Article 208. Deductions as expenses on charity**

Free of charge transferred assets, including cash means and property (by balance value) to charitable organizations, as well as organization of culture and sports disregarding the form of ownerships in the period of tax year in the amount, not exceeding **10 percent** of taxable income of the tax payer, who transferred them, are subject to deduction from the total annual income».

The new Tax Code also cancels the procedure of preliminary recognition of NCO as charitable organization (procedure of certification) by tax bodies.

In part 2 of article 153 of the new tax Code the following definition of the notion “charitable organization” is given:

«2) **“charitable organization”** – noncommercial organization:

a) created and carrying out charitable activity in compliance with the legislation of the Kyrgyz Republic on noncommercial organizations and charitable activity;

б) not participating in the activity on production and/or sale of excise goods and gambling business;

в) not participating in the support of political parties or election campaigns».

In compliance with the new Tax Code, for acquisition of the status of charitable organization NCO shall not be obliged to preliminarily refer to tax bodies and to receive from them written confirmation on its right for tax benefits, which are set for charitable organizations. However, they should correspond to requirements, which are established by the legislation for charitable organizations.

#### **§ 4. Requirements for charitable organizations**

By the Law of the Kyrgyz Republic «On philanthropy and charitable activity» from November 6 of 1999 N 119 (further Law) the following requirements are established for charitable organizations.

1. The article 1 of the Law prescribes the goals, for achievement of which charitable organizations could be created:

- Social welfare and protection of citizens, including the improvement of economic conditions of indigent persons, social rehabilitation of unemployed, disabled and other persons, who due to their physical and (or) intellectual peculiarities, other circumstances are not independently able to enjoy their rights and lawful interests;
- Providing assistance to victims of natural disasters, ecological, production or other catastrophes, social, national, religious conflicts and forces displaced persons;
- Assistance in strengthening peace, friendship and harmony among nations, prevention of social, national, religious conflicts;
- Assistance in the activity in the sphere of education, science, culture, arts, enlightenment, spiritual development of personality;
- Assistance in protection of maternity, childhood;
- Assistance in the activity in the sphere of prevention and protection of health of citizens, as well as propaganda of healthy life style, improvement of moral and psychological condition of citizens;
- Assistance in the activity in the sphere of physical culture and mass sports;
- Environmental protection and protection of animals;
- Protection and proper maintenance of buildings, objects and territories, which have historical, religious or environmental meaning, and places of burial grounds.

Transfer of cash and other material means, providing assistance in other forms to commercial organizations, as well as support of political parties, movements, groups and campaigns are not considered as charitable activity.

2. In compliance with article 5 of the Law “Charitable organization is **nongovernmental** (noncommercial) organization, created for achievement of goals, provided by the present Law on charitable activity in the interests of the community as a whole or of separate categories of persons”.

3. In compliance with article 6 of the Law “Charitable organizations can be created in the form of **public organizations (associations), foundations, institutions** and in other forms.

Charitable organization can be created in the form of institution, if its founder is charitable organization”.

On the basis of the content of the given norm, it is possible to make conclusion that institution, created not by “charitable organization” can not be considered as charitable organization.

4. In compliance with part 4 of article 7 of the Law “Charitable organization shall have a right to carry out economic activity only for achievement of the goals, for which it was created, **and corresponding these goals**”.

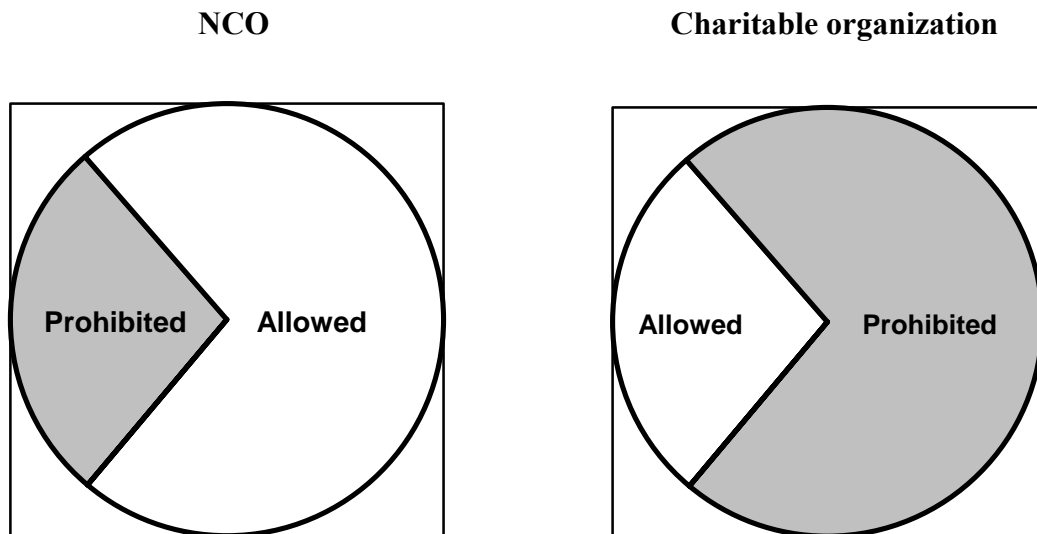
In article 12 of the Law of the Kyrgyz Republic “On noncommercial organizations” the following norm is provided:

«Noncommercial organization shall have a right to carry out economic, including production activity without distribution of received profit among founders, members, officials, other employees and members of management bodies. This activity could include in itself production and sale of goods, accomplishment of works, rendering of services with counter compensation and other kinds of economic activity, **if they do not contradict the goals and tasks of the organization**».

As it follows from the given norm, in Kyrgyzstan there are minor limitations for NCO in carrying out economic activity. Kinds of economic activity of NCO must not contradict the goals and tasks of the organization. For instance, public association, the goal of which is the fight against smoking, has no right to trade tobacco products, as the sale of tobacco products would contradict the goals of creation of the given public association.

As opposed to the given approach, which grants broad rights to NCO for carrying out economic activity, charitable organizations are allowed to carry out only those economic activities that **correspond the goals of creation** of charitable organization. For instance, charitable organization, created for “assistance in the activity in the sphere of education, science, culture, arts, enlightenment, spiritual development of the personality” has a right to earn means, organizing trainings for payment, but it will not have a right to organize sewing house for production and sale of clothes. It is important to mention that this approach substantially limits charitable organizations in carrying out their economic activity.

In the following scheme one can see differences of these approaches:



5. In compliance with part 4 of article 7 of the Law “For creation of economic conditions for achievement of charitable purposes charitable organization shall have a right to establish economic companies. The participation of charitable organization in economic companies jointly with other persons is not admitted».

Following from the content of the given norm, it is possible to conclude that only charitable organization can solely be founder of affiliated companies.

6. In compliance with part 2 of article 8 of the Law “Financing of charitable organizations from republican and local budgets, off-budget foundations of state bodies is prohibited”.

The given norm poses serious problem for charitable organization in receiving means through the mechanism of Social Services Contracting.

However, in part 4 of article 11 of the Law there are norms, which fully contradict the above-mentioned norm:

«State bodies and bodies of local self-administration, recognizing the social importance of charitable activity, can provide assistance to participants of charitable activity in the following forms:

- Material and technical support and subsidizing of charitable organizations (including full or partial exemption from payment of services, provided by state organizations and from payment for the use of state property);
- Financing on the basis of contest of charitable programs, developed by charitable organizations;
- Transfer of state property into ownership of charitable organizations free of charge or on easy terms in the process of its denationalization and privatization, carried out in the order, provided by the legislation».

The legislator must give explanation to these contradicting to each other norms or to make amendments to the Law with the purpose of elimination of such contradictions.

7. In compliance with parts 3 and 4 of article 9 of the Law: “Charitable organization **shall not have a right** to spend for labor remuneration of its administrative and managing

personnel more than 2 percent of financial means, spent by this organization for a financial year. The given limitation does not apply for labor remuneration of persons, participating in the implementation of charitable programs

If benefactor or charitable program does not specify the otherwise, not less than 98 percent of charitable endowment in the form of money shall be spent for charitable purposes in the period of a year from the moment of obtainment of the given endowment by charitable organization. Charitable endowments in natural form are directed for charitable purposes in the period of a year from the moment of their obtainment, if the otherwise is not provided by benefactor or charitable program».

However, the presence of “charitable program” of NCO could relax the given impracticable norm. According to article 10 of the Law “**Charitable program** is a complex of activities, approved by the highest management body of charitable organization and directed at solving specific tasks, corresponding to charter goals of the given organization.

Charitable program includes the budget of assumed inflows and planned expenses **(including labor remuneration of persons, participating in implementation of charitable programs)**, establishes stages and terms of its realization.

For financing of charitable programs (including expenses on their material and technical support, organizational and any other support, for labor remuneration of persons, participating in the realization of charitable programs, and other expenses, related to realization of charitable programs) shall be spent not less than 98 percent of income flows, received in a financial year, from non-operational economic activities, from established by charitable organization economic companies and from allowed by law economic activity. In realization of charitable programs received means are spent in terms, provided by these programs».

Using “charitable program” many NCO could overcome the barrier of «98% and 2%» and correspond the requirements of the Law. Charitable program almost reduces to zero impracticable requirements of the Law (98% and 2%), as the Law does not set any conditions in relation to the content of charitable program. NCO has a right at its discretion to draw up charitable program and its budget. The Law also does not prescribe any conditions in relation to the number of charitable programs, which NCO can adopt in the period of a year. In the given situation NCO in the beginning of a year can adopt one charitable program, and further in the period of a year to edit it as many times as it is necessary. However, it is important to remember that charitable program must be approved by the highest management body of the organization. For instance, charitable program of public association can be approved only by the highest management body of public association- General Assembly of members of public association. Charitable program of the foundation can be approved only by the highest management body of the foundation – Supervisory Board of the foundation.

8. In compliance with parts 1 and 2 of article 12 of the Law: «Charitable organization provides free access, including access to mass media, to its annual reports.

Data on the amounts and structure of incomes of charitable organization, as well as data on the amount of its property, its expenses, number of workers, on labor remuneration and on engagement of volunteers is not considered commercial secret».

And according to part 4 of article 13 of the Law «In case of conduct of public campaigns on the collection of endowments charitable organization is obliged to publish annually report on the amounts of attracted endowments and on their use in official print matters».

9. In compliance with parts 3 and 5 of article 13 of the Law: « In case of performance of an act by charitable organization, contradicting its goals, as well as the present Law, authorized bodies shall send warning to it in written form.

In case of repeated warning of charitable organization in written form, it can be dissolved in the procedure, provided by the legislation of the Kyrgyz Republic».



## **§ 5. Conclusion**

Tax regime for NCO in Kyrgyzstan is far from ideal and has substantial short comings. The new Tax Code did not preserve the norm, encouraging citizens (who are not individual entrepreneurs) to make endowments for the benefit of charitable organizations. The new Tax Code also did not preserve the norm, exempting charitable organization from land tax. In the new Tax Code exemption of NCO from tax- property tax is not provided. The given tax will lie by heavy burden on the shoulders of noncommercial, including charitable organizations. There is more work to be done to bring the conditions of NCO taxation in Kyrgyzstan closer to international standards

However, it is important to mention that the new Tax Code establishes a more favorable tax regime for NCOs than the present Tax Code, especially for those NCOs which carry out their activity as charitable organizations.

Comparative table of the existing and new Tax Codes shall be attached to the article.

Nokatbek Idrisov  
Legal Consultant  
International Center for Not-For-Profit Law in Kyrgyzstan

**Comparative table  
of the existing and the new Tax Codes of the Kyrgyz Republic  
(in part, related to taxation of noncommercial organizations)**

Existing Tax Code	New Tax Code	Comments
<p><b>Article 9. Notions, used in Tax Code</b>  4. "Charitable organization" – noncommercial organization:  1) created and carrying out charitable activity in compliance with the legislation on noncommercial organizations and charitable activity;  2) not dealing with activity on production and sale of excise goods and gambling business;  <b>3) which have received in established procedure document, issued by tax bodies, certifying its rights for tax benefits in compliance with articles 112 and 145 of the present Code.</b></p> <p>4-1. "Charitable activity" – voluntary activity of individuals or legal entities, carried out for charitable purposes, provided by the legislation on charitable activity through transfer of assets, rendering of services and accomplishment of works to citizens and legal entities free of charge or on easy terms or for payment, not exceeding the expenses, during their sale.</p>	<p><b>Article 153. Institutions, notions and terms, used in special part of the present Code.</b>  2) "Charitable organization" – noncommercial organization:  a) created and carrying out charitable activity in compliance with the legislation on noncommercial organizations and charitable activity;  b) not dealing with activity on production and (or) sale of excise goods and gambling business;  <b>c) not participating in the support of political parties or election campaigns;</b></p> <p>1) "Charitable activity" – voluntary activity of individuals or legal entities, carried out for charitable purposes, provided by the legislation of the <b>Kyrgyz Republic</b> on charitable activity through transfer of assets, rendering of services and accomplishment of works to citizens and legal entities <b>in unselfish manner (free of charge or on easy terms)</b> or for payment, not exceeding the expenses, during their sale.</p>	<p>Notions, used in the existing Tax Code, are mainly preserved in the new Tax Code (further "Code"). Numeration of articles and paragraphs changed.</p> <p>Definition of the notion «Charitable organization» in the new Code changed:</p> <ul style="list-style-type: none"> <li>- paragraph (3) was excluded, <b>which have received in established procedure document, issued by tax bodies, certifying its rights for tax benefits in compliance with articles 112 and 145 of the present Code.</b></li> <li>- new paragraph (c) was added of the following content: <b>«not participating in the support of political parties or election campaigns».</b></li> </ul> <p>Introduced amendments substantially relieve the conditions of taxation of charitable organizations, as they eliminate the process of receiving certificate or other document on recognition of NCO as charitable organization.</p> <p>The notion «Charitable activity» and its definition were transported to the new Tax Code from the existing Tax Code with insignificant changes.</p> <p>There are no objections on introduced amendments.</p>

<p>4-2. "Grant" – assets, free of charge transferred by states, international, foreign and domestic organizations to the Government of the Kyrgyz Republic, bodies of local self-administration, state and noncommercial organizations <b>(except for organizations, purposing political goals)</b></p> <p>4-3. "Humanitarian assistance" – assets, free of charge transferred by states, international, foreign and domestic organizations to the Government of the Kyrgyz Republic, bodies of local self-administration, state and noncommercial organizations, as well as to individuals, in the form of food, <b>consumer goods</b>, hardware, outfit, equipment, medical drugs and medicines, <b>other items</b> for improvement of life conditions and mode of life of the population, as well as for warning and liquidation of emergency situations of military, ecological and technogeneous character , on conditions of their further consumption and (or) free of charge distribution.</p> <p>29. "Noncommercial organization" – organization, fulfilling the following requirements:  1) the given organization is registered in organizational and legal form, provided by the legislation of the Kyrgyz Republic for noncommercial organizations;  2) the given organization does not pursue profit-making as the main goal of its activity and does not distribute received profit among its members, founders and officials.</p> <p>68. "Membership fees" – assets, transferred by persons, who are members of noncommercial organization, based on membership in the amount and in the order, provided in constituent documents of the given organization, <b>on conditions that such transfer shall not be conditioned by counter rendering of services to the member of the given organization free of charge or at the price lower than their self-cost.</b></p> <p>69. "Entrance fees" - assets, transferred by persons during their entrance into noncommercial organization, based on</p>	<p>6) "Grant" – assets, free of charge transferred by states, international, foreign and domestic organizations to the Government of the Kyrgyz Republic, bodies of local self-administration, state and as well as noncommercial organizations, <b>not participating in the support of political goals or election.</b></p> <p>7) "Humanitarian assistance" – assets, free of charge transferred by states, organizations to the Government of the Kyrgyz Republic, body of local self-administration, state, noncommercial organization, as well as to needy individual, in the form of food, hardware, outfit, equipment, medical drugs and medicines, other property for improvement of life conditions and mode of life of the population, as well as for warning and liquidation of emergency situations of military, ecological and technogeneous character , on conditions of their further consumption and (or) free of charge distribution.</p> <p>11) "Noncommercial organization" – organization, fulfilling the following requirements:  a) the given organization is registered in organizational and legal form, provided by the legislation of the Kyrgyz Republic on noncommercial organizations, as well as by other legislation of the Kyrgyz Republic;  b) the given organization does not pursue profit-making as the main goal of its activity and does not distribute received profit among its members, founders and officials.</p> <p>29) "Membership fees" – assets, transferred by members of noncommercial organization, in the amount and in the order, provided in constituent documents of the given organization, <b>on conditions that such transfer shall not be conditioned by counter rendering of goods, works and services to the member of the given organization free of charge or at the price lower than their self-cost.</b></p> <p>4) "Entrance fees" - assets, transferred to a person during his/her entrance into noncommercial organization, based on</p>	<p>Our suggestion on the replacement of the words «, <b>not pursuing political goals</b>» to the words « <b>not participating in the support of political goals or election</b> », - was accepted.</p> <p>The notion «Humanitarian assistance» and its definition were transported to the new Tax Code from the existing tax Code with minor changes. <b>We agree with introduced amendments.</b></p> <p>The notion «Noncommercial organization» and its definition were transported to the new Tax Code from the existing tax Code without changes.</p> <p>The notion «Membership fees» and its definition were transported to the new Tax Code from the existing tax Code without changes.</p> <p>The notion «Entrance fees» and its definition were transported to the new Tax Code from the existing tax</p>
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membership in the amount and in the order, provided in constituent documents of the given organization, <b>on conditions that such transfer shall not be conditioned by counter rendering of services to the member of the given organization free of charge or at the price lower than their self-cost.</b>	membership in the amount and in the order, provided in constituent documents, <b>on conditions that such transfer shall not be conditioned by counter rendering of services to the member of the given organization free of charge or at the price lower than their self-cost.</b>	Code without changes.
<p align="center"><b>SECTION III</b> <b>INCOME TAX FROM INDIVIDUALS</b></p> <p><b>Article 88. Non-taxable incomes</b></p> <p>2. Total annual income of individual shall decrease to the sum of free of charge transferred assets, including cash means and property (by balance value) to charitable and budget organizations in the period of a tax year in the amount, not exceeding 5 percent of taxable income of tax payer, on conditions that these assets shall not be used for the benefit of individual, who transferred them.</p> <p><b>There is no such provision.</b></p>	<p align="center"><b>SECTION VII</b> <b>INCOME TAX</b></p> <p align="center"><b>There is no such provision.</b></p> <p><b>Article 167. Incomes, non-taxable by income tax</b></p> <p>The following incomes, are not levied by income tax: 37) free of charge transferred assets from the state, noncommercial organizations to persons, who are in need of social rehabilitation or adaptation, medical assistance, with income lower than living-wage: a) refugees; b) heavily ill persons.</p>	<p>As opposed to the existing Tax Code, the new Tax Code includes the provision, encouraging citizens to make endowments to charitable and budget organizations (such NCOs as charitable foundations, state institutions: schools, universities, hospitals etc.)</p>
<p align="center"><b>SECTION IV</b> <b>PROFIT TAX OF LEGAL ENTITIES</b></p> <p><b>Article 93. Composition of total annual income</b></p> <p>6. The following items are not included into the composition of total annual income of noncommercial organizations:</p> <ol style="list-style-type: none"> <li>1) membership and entrance fees;</li> <li>2) <b>free of charge transferred assets, on conditions of their use for charter purposes;</b></li> <li>3) humanitarian assistance and grants, on conditions of their use for charter purposes.</li> </ol>	<p align="center"><b>SECTION VIII</b> <b>PROFIT TAX</b></p> <p><b>Article 189. Non-taxable incomes</b></p> <ol style="list-style-type: none"> <li>1. Profit tax is not levied on:</li> <li>3) received by noncommercial organizations: <ol style="list-style-type: none"> <li>a) membership and entrance fees;</li> <li>b) humanitarian assistance and grants, on conditions of their use for charter purposes;</li> <li>c) <b>the value of free of charge received assets</b> on conditions of their use for charter purposes.;</li> <li>d) payment for services on technical maintenance of apartment house and their territorial buildings and structures;</li> <li>e) payment for services on the supply of irrigational water in the framework of charter activity, provided by associations of water users for their members.</li> </ol> </li> </ol>	<p>Benefits provided in part 6 of article 93 of the existing Tax Code are preserved in article 189 of the new Tax Code with minor changes.</p> <p>The provision in paragraph 2 of part 6 of article 93 of the existing Tax Code “(2) free of charge transferred assets, on conditions of their use for charter purposes”, is replaced in the new Tax Code by the following provision “(3) the value of free of charge received assets.</p> <p>Also two norms, proposed by us, were added:</p> <ol style="list-style-type: none"> <li>d) payment for services on technical maintenance of apartment house and their territorial buildings and structures;</li> <li>e) payment for services on the supply of irrigational water in the framework of charter activity, provided by associations of water users for their members.</li> </ol> <p><b>We agree with introduced amendments.</b></p>

<p><b>There is no such provision.</b></p> <p><b>Article 106. Tax rate on the profit of legal entity</b></p> <p>2. Profit of community of disabled persons of I and II group, as well as of enterprises of the Kyrgyz community of blind and deaf people, where disabled, blind and deaf persons shall compose not less than 50 percent from the total number of employed, shall be taxed by zero rate. The list of indicated enterprises shall be determined by the Government of the Kyrgyz Republic</p> <p><b>Article 112. Exemption from tax</b></p> <p>1. Profit of public organizations from charitable activity (profit from other kinds of activity shall be taxed by general rule) and of corrective labor institutions of the Ministry of Justice of the Kyrgyz Republic and credit unions shall be exempt from taxation.</p> <p><b>Article 112. Exemption from tax</b></p> <p>3. Total annual income of legal entity shall decrease to the sum of free of charge transferred assets, including cash means and property (by balance value) to charitable and</p>	<p><b>Article 198. The value of fixed assets, non-material assets and inventory holdings</b></p> <p>4. Balance value is equated to zero in the following cases:  1) in receiving free of charge transferred objects of social and cultural function;  2) in receiving by noncommercial organizations property in the form of:  a) membership and entrance fees;  б) humanitarian assistance and grants;  в) free of charge received assets.</p> <p><b>Article 212. Exemption from tax</b></p> <p>1. Profit is exempt from taxation of:  2) communities of disabled persons of I and II groups, as well as organizations of the Kyrgyz community of blind and deaf people, where disabled persons shall compose not less than 50 percent from the total number of employed and their salary shall compose the sum, which is not less then 50 percent of the total fund of labor remuneration. The list of indicated enterprises shall be determined by the Government of the Kyrgyz Republic;</p> <p><b>Статья 212. Exemption from tax</b></p> <p>1. Profit is exempt from taxation of:  1) charitable organizations;</p> <p><b>Article 208. Deductions as expenses on charity</b>  Free of charge transferred assets, including cash means and property (by balance value) to charitable organizations, as well as to organizations of culture and sports disregarding the forms of ownership in the period of a year in the amount, not</p>	<p>The given norm is not preserved in the new Tax Code.</p> <p>The given provision in the new tax Code is better formulated.</p> <p>The given provision is preserved in the new Tax Code in changed version. The new edition is better formulated: 5% was increased to 10%.</p>
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<p>budget organizations in the period of a tax year in the amount, not exceeding <b>5 percent</b> of taxable income of tax payer, on conditions that these assets shall not be used for the benefit of the legal entity, which transferred them Совокупный годовой доход юридического.</p>	<p>exceeding <b>10 percent</b> of taxable income of tax payer, on conditions that these assets shall not be used for the benefit of tax payer, who transferred them, shall be subject to deduction from total annual income.</p>	
<p style="text-align: center;"><b>SECTION V</b> <b>VALUE ADDED TAX</b></p> <p><b>Article 145. Supplies by noncommercial organizations</b> Supplies for payment, not exceeding the expenses to carry out these supplies are considered free from VAT, if it is: 2) supplies of goods, works and services by noncommercial organizations for social welfare and protection of children or indigent citizens of advanced;</p> <p><b>Article 145. Supplies by noncommercial organizations</b> Supplies for payment, not exceeding the expenses to carry out these supplies are considered free from VAT, if it is: 3) supplies by institutions of public health, education, science, culture and sports;</p> <p><b>Article 145. Supplies by noncommercial organizations</b> Supplies for payment, not exceeding the expenses to carry out these supplies are considered free from VAT, if it is: 6) supplies of charitable organizations for charitable purposes.</p> <p><b>Article 147. Exemption of import from taxation on VAT</b> 2. Following goods, belongings and other items are exempt from VAT: 2) supplied as <b>humanitarian assistance, grants</b> in the order, determined by the Government of the Kyrgyz Republic;</p>	<p style="text-align: center;"><b>SECTION IX</b> <b>VALUE ADDED TAX</b></p> <p><b>Article 252. Supplies by noncommercial organizations</b> Supplies for payment, not exceeding the expenses to carry out these supplies are considered free from VAT, if it is: 2) supplies of goods, works and services <b>by noncommercial organizations</b> for social welfare and protection of children or indigent citizens of advanced;</p> <p><b>Article 252. Supplies by noncommercial organizations</b> Supplies for payment, not exceeding the expenses to carry out these supplies are considered free from VAT, if it is: 2) in the sphere of education, medicine, science, culture and sports.</p> <p><b>Article 251. Supplies of charitable organizations</b> Supplies of services by charitable organizations for charitable purposes in compliance with the legislation of the Kyrgyz Republic on philanthropy and charitable activity shall be free from VAT.</p> <p><b>Article 257. Exemption of imported goods from VAT</b> 1. Following goods, imported to the territory of the Kyrgyz Republic are exempt from payment of VAT: 8) as humanitarian assistance, grants in the order, determined by the Government of the Kyrgyz Republic;</p>	<p>The given norm is preserved in the new Tax Code.</p> <p>The given norm is preserved in the new Tax Code.</p> <p>The given norm is preserved in the new Tax Code.</p> <p>The given norm is preserved in the new Tax Code.</p>

	<p style="text-align: center;"><b>SECTION XII SALES TAX</b></p> <p><b>Article 315. Exemption from payment of sales tax</b>  Sale of goods, accomplishment of works, rendering of services are exempt from payment of sales tax, if it is carried out by:  4) charitable organization.</p>	Our proposal to exempt charitable organization from the new tax “sales tax” was accepted.
	<p style="text-align: center;"><b>SECTION XIII PROPERTY TAX</b></p> <p><b>Article 330. Tax benefits</b>  1. The following categories of properties are exempt from taxation:  1) properties of diplomatic representative offices, counselor institutions of foreign states and representative offices of international organizations in compliance with international treaties of the Kyrgyz Republic;  2) properties of first group, taxable value of which does not exceed 5000 estimate indicators.</p>	Property tax is a new tax. Unfortunately, the new Tax Code does not provide tax benefits for charitable organizations.
<p style="text-align: center;"><b>SECTION VII LAND TAX</b></p> <p><b>Article 180. Exemption from the payment of land tax</b>  The following categories of lands are free from taxation:  5) lands of organizations of disabled persons, war participants and similar categories of persons, <b>charitable organizations</b> and corrective labor institutions of the Ministry of Justice of the Kyrgyz Republic;  6) lands of the community of blind and deaf people;</p>	<p style="text-align: center;"><b>SECTION XI LAND TAX</b></p> <p><b>Article 343. Exemption from taxation</b>  If the otherwise is not provided by the present section, the following categories of lands are free from taxation:  5) lands of organizations of disabled persons, war participants and similar categories of persons and lands of the community of blind and deaf people;</p>	Unfortunately, charitable organizations are excluded from this list. From now on they will pay land tax.