

"Taxes are no fun."

-Benjamin Franklin
(probably would've said that)

What is a tax?

A **tax** (from the Latin *taxo*; "rate") is a financial charge or other levy imposed upon a taxpayer (an individual or legal entity) by a state or the functional equivalent of a state to fund various public expenditures.

History

Egypt - 6000 years before, first government in the world



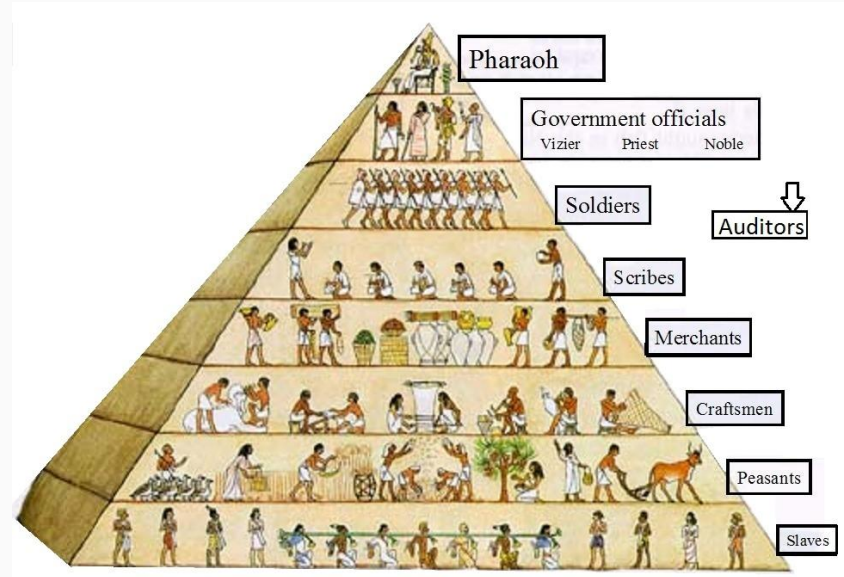
Financing army

Cooking oil - levied object



*Scribes - first tax collectors

*Scribes - писцы, книжники, переписчики



Back to Modern Society

Taxes are collected in almost all modern countries

Saudi Arabia and the UAE do not collect taxes



Some of the islands also do not collect them

Kyrgyzstan



The taxation in Kyrgyz Republic is regulated by Tax Code of KR and regulations

Current Tax Code was signed in 17th of October, 2008

Taxes are collected by State Tax Service (former State Tax Inspection)



How government
finance its
expenditures?

Monetary policy

- ❑ Open market operations (selling gov-t bonds)
- ❑ Borrowing money
- ❑ Seignorage

Fiscal policy

- ❑ Taxation

Formulas for revising

$$Y = C + I + G + NX$$

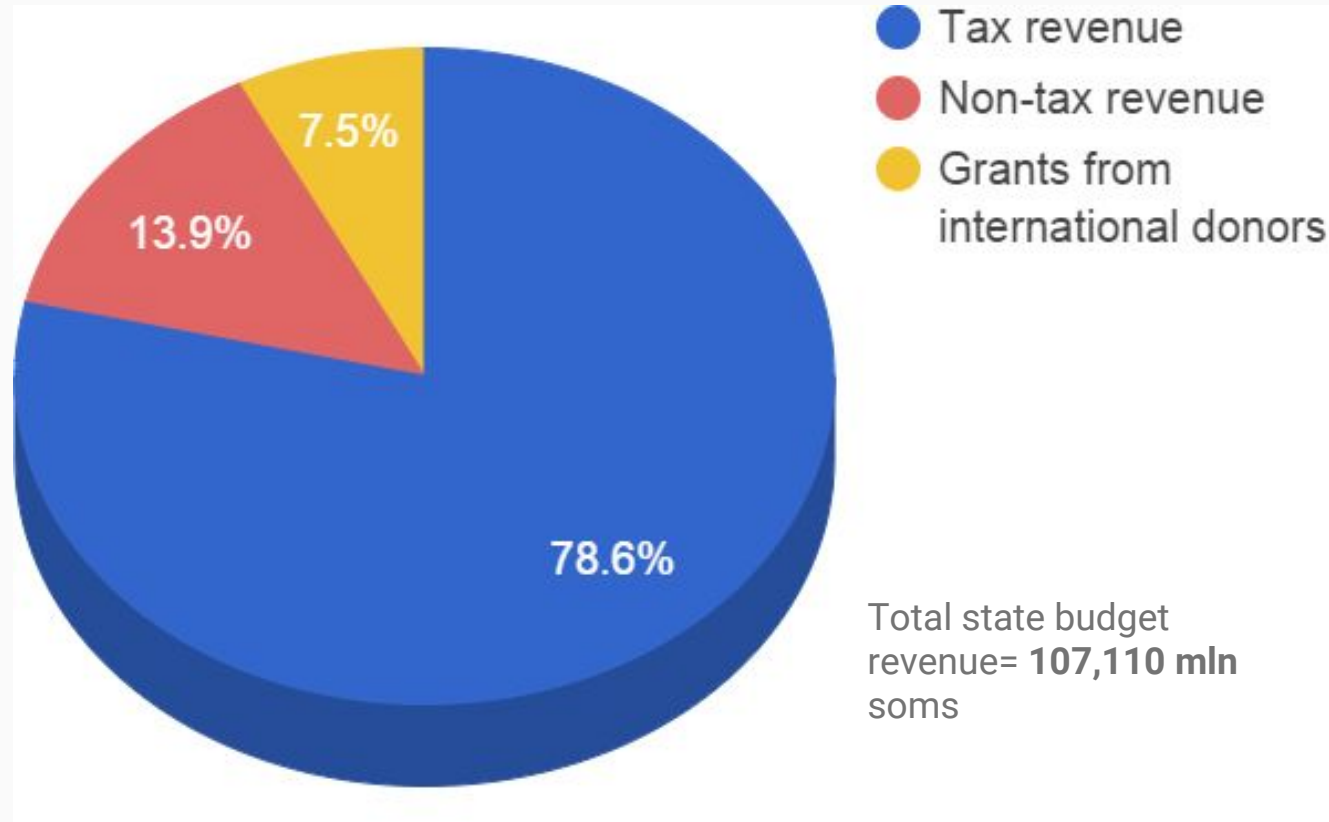
$$Y = (Y - T)C + G + I(r) + NX$$

Consumption: transfer payments

Investment: subsidies

Government purchases: mostly
distributed out of taxes

The Structure of State Budget Revenue for 2014



Types of Taxes in KG

National Taxes

- Income tax
- Profit (corporate) tax
- VAT tax
- Sales tax
- Excise tax
- Mineral Tax

Local Taxes

- Property tax (налог на недвижимое имущество)
- Personal tax (налог на движимое имущество)
- Land tax

Income Tax



- ❖ Citizen or noncitizen of KR who gets income on the territory of KR (not from business activity)
- ❖ Citizen or noncitizen of KR who gets income from KG budget out of its territory
- ❖ Tax agent who pays revenue from KG budget to other individuals
- ❖ Winners of big lotteries

Example: public employees or other individuals who get usually fixed salary

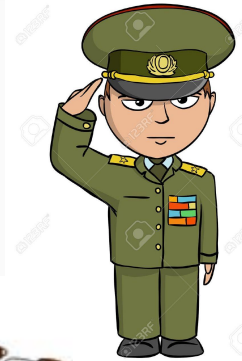
For each month

10%



Not taxed income

- ❑ transfer payments (pensions, student scholarships)
- ❑ insurance premiums
- ❑ income of disabled, veterans of Civil and GP Wars
- ❑ scholarships for Olympic champions
- ❑ income of employees who work in: MIA (МВД), NSC (ГКНБ), SBS (ГПС), Fire Service, SGS, Ministry of Defence
- ❑ interest rate of deposits in banks
- ❑ dividends of stockholders
- ❑ aliments
- ❑ income of refugees and seriously ill people



Profit (corporate) tax



- Domestic organisations
- Foreign organisations functioning in KR
- Individual entrepreneur
- Tax agent who pays income from KR budget to foreign organisations

Objects of taxation:

- ❑ Revenue received from g&s production
- ❑ Dividends
- ❑ Royalties
- ❑ Profit got from real estate and movable property renting
- ❑ Securities
- ❑ Subsidies

Each year

10%

Not taxed profit

- NBKR
- Deposit Protection Agency
- Social Fund
- Charity organisations
- Agricultural producers
- Pre-school institutions (e.g kindergartens)
- Lease companies
- Credit Unions

VAT Tax

Value Added Tax:

Imports

Intermediary goods or each process of production of final good

Free of VAT tax charge:

National agricultural products

Goods and services in the sphere of medical activity

Insurance services

Transportation services

Pension services

Privatization

Charity organisations

Export of gold and silver

Humanitarian aid

Each month



Sales Tax

Tax for sales of goods and services
(mostly the final goods)

- 1) Sales of goods or services with and without VAT:
 - a. trade activity - 1.5%
 - b. out of "a" point - 2.5%
 - c. cellular services - 5%

- 2) Sales of goods and services out of first item:
 - a. trade activity - 2.5%
 - b. out of 2."a" point - 3.5%



Not taxed from sales

- Transfer of property from the owner
- The provision of religious services, rituals, ceremonies and pilgrimage
- Services from pre-school institutions
- Services from private medical institutions focused on cardio

Excise Tax

Subject who produces excisable goods or imports them to the territory of KG

Excisable goods:

- spirit, ethanol
- alcohol-based products, beer, wines
- tobacco products
- raw oil, gasoline, diesel fuel and other forms

Producers of excise goods are subject to pay the tax each month



Excise Tax Rate for Alcohol Products

Spirit, ethanol	1 liter	350 som
Vodka	1 liter	300 som
Alcoholic beverage products (ликёро-водочные изделия)	1 liter	300 som
Fortified beverages, juices and balms	1 liter	300 som
Low alcohol drinks	1 liter	200 som
Cognac	1 liter	200 som
Shampagne	1 liter	140 som
Wines	1 liter	100 som
Beer	1 liter	30 som



Mineral Tax

- ★ Mining
- ★ Extraction of groundwater
- ★ Extraction of oil and gas during extraction of hydrocarbons
- ★ Single mining

Royalty rates:

- 1) gold, silver, platinum -
mining of more than 10 tons - 5%
mining from 3 to 10 tons - 3%
mining less than 3 tons - 1%

- 2) coal and brown coal - 1%



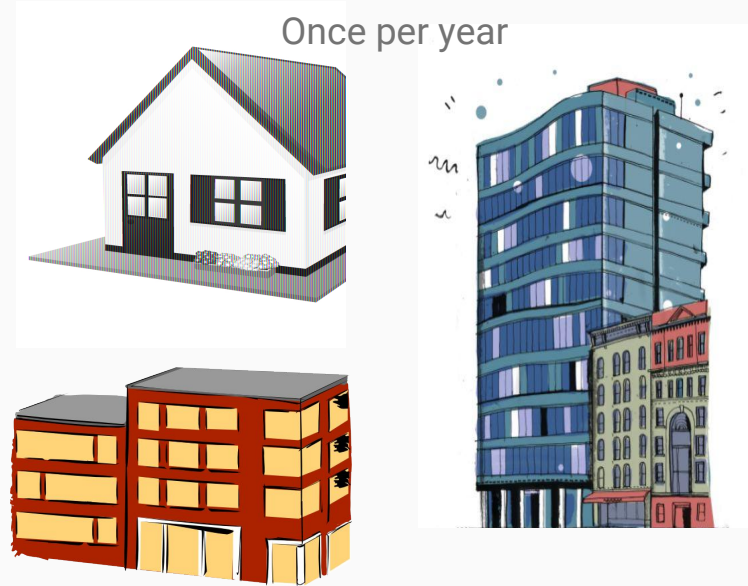
Property Tax

Government, municipal and private properties

Group 1	Group 2	Group 3
Residential property (residential houses, apartments, summer houses) meant for permanent or temporary residence and NOT used for business purposes	Boarding houses, holiday hotels, health resorts, resorts, production, administrative, industrial and other buildings and structures meant or used for business purposes	Temporary structures made from metal or other materials and used for business purposes, such as kiosks, sheds, and other similar property

0.35%
for 1st
group

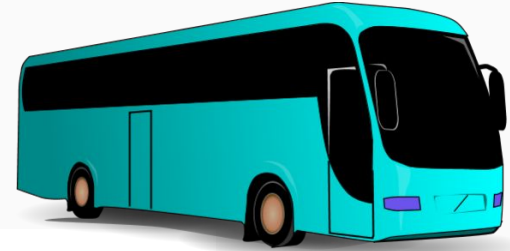
0.8% for 2nd and
3rd groups



Personal Tax

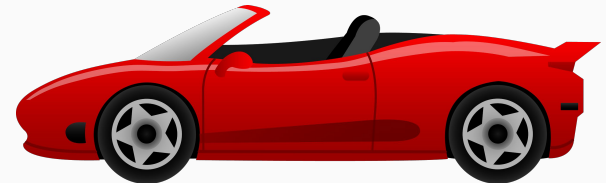
Collected once per year

Cars, buses, tractors,
motorbikes, trucks, combines,
yachts, water motorcycles,
ships, boats.



Tax for vehicles moved by
engine

Tax rate is determined by
coefficients (type of
vehicle, year of issue,
volume of engine)



Land Tax

The owners of lands are taxed and

- ❑ Agricultural lands
- ❑ Lands for recreational purposes
- ❑ Forest and water funds
- ❑ Lands which are given for business activities

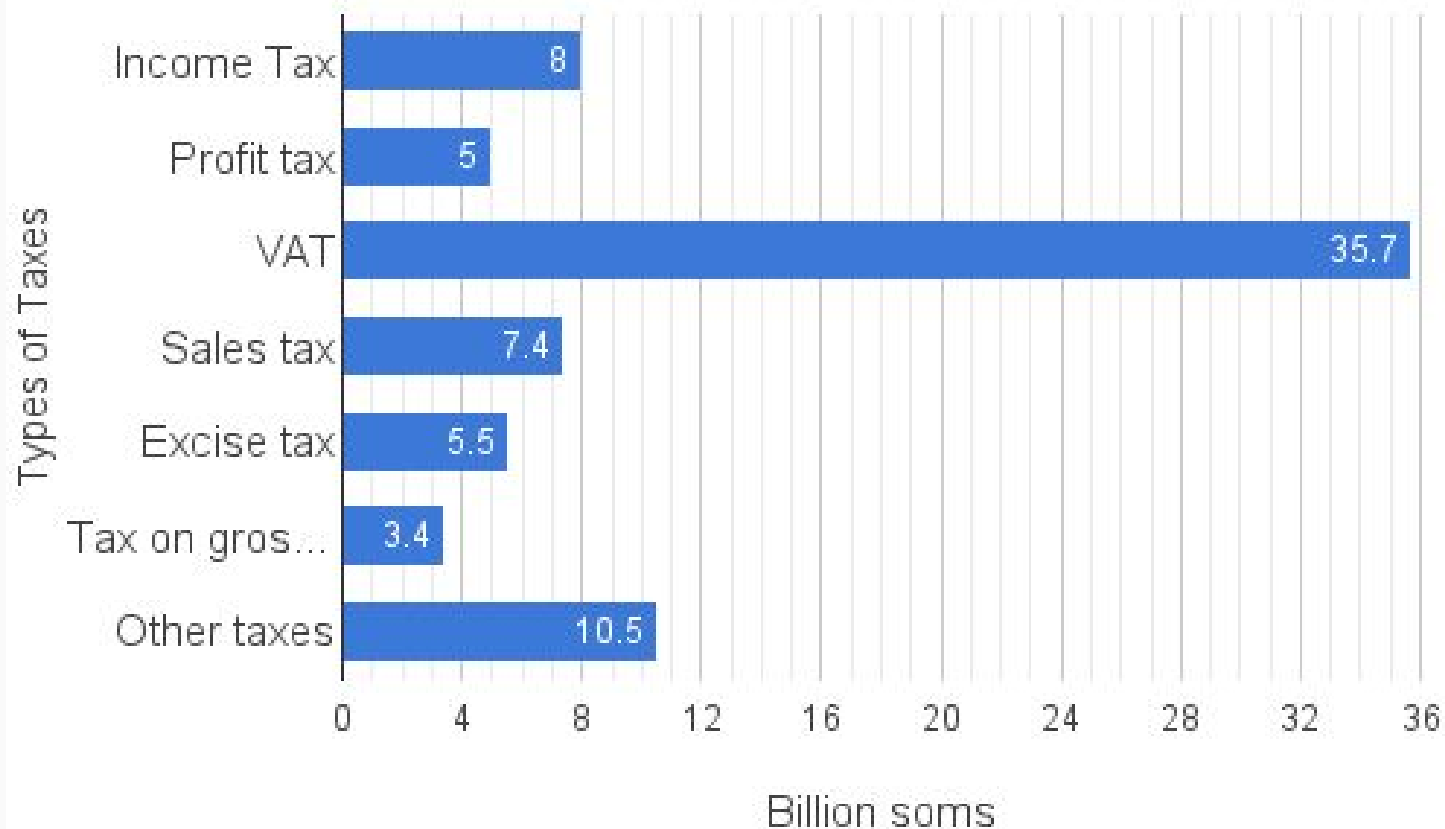
For each regions of KR land tax rates are different depending on the squares, the quality and purposes for use.



Free of land taxes:

- reservations
- botanical gardens
- cemetery lands
- lands of NBKR, Social Fund, Fund of Deposit Protection
- borders of KR

The structure of state tax revenue for 2014



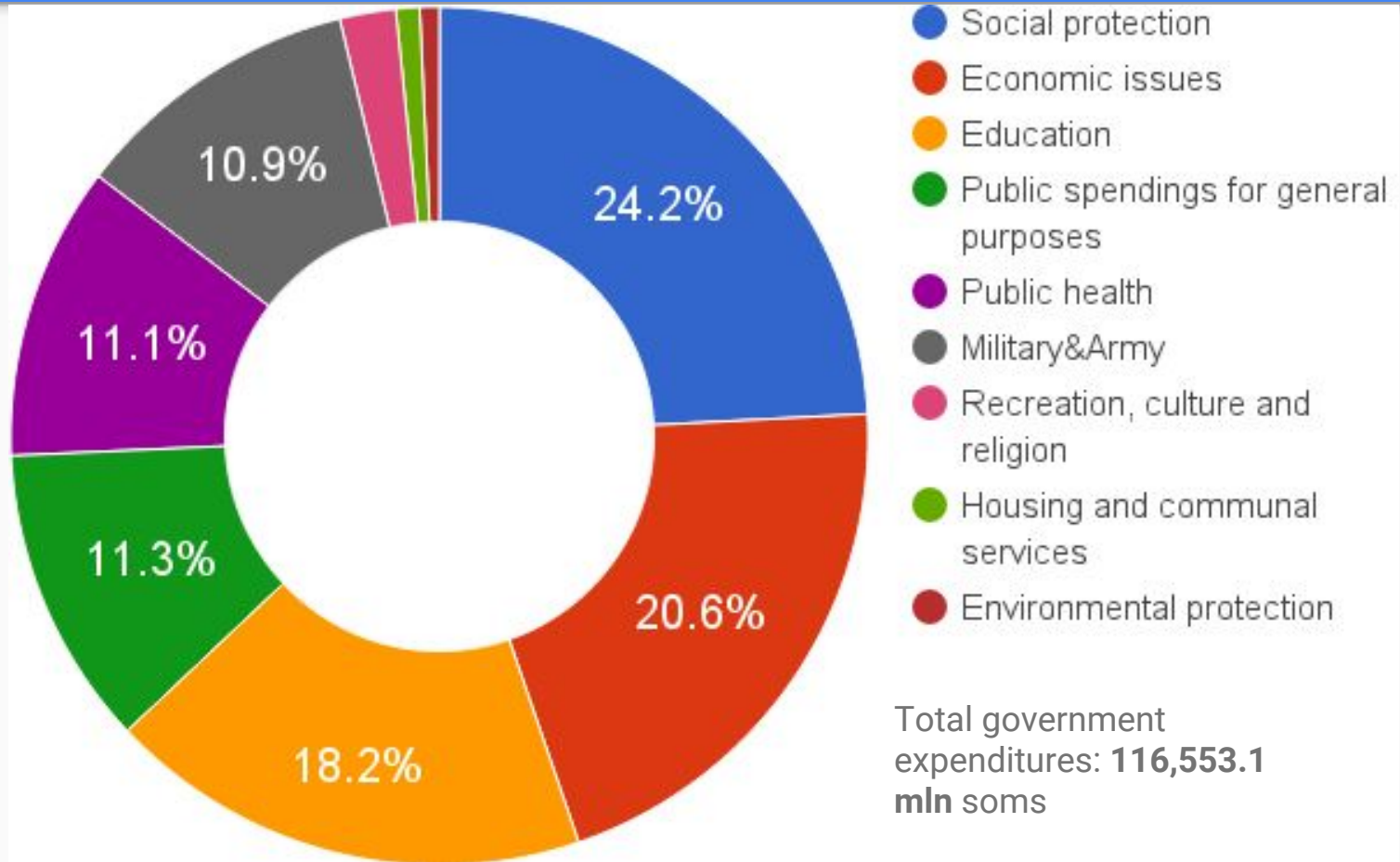
Structure and rates of growth by sectors forming GDP

Indicators	January-October of 2014			January-October 2015 года			
	Fact (mln soms)	Growth rate, %	% to GDP	Fact (mln soms)	Growth rate, %	% to GDP	Share of contribution to GDP growth, p.i
GDP	310957,4	104,4	100,0	334120,5	104,8	100,0	4,8
Industry	47068,0	103,9	15,1	52065,6	107,8	15,6	1,18
Agriculture	53333,6	99,0	17,2	53522,6	106,3	16,0	1,08
Construction	21526,0	127,8	6,9	23719,5	105,7	7,1	0,39
Sector of services	145460,6	103,6	46,8	163072,9	103,2	48,8	1,51
Net taxes on products	43569,2	104,4	14,0	41739,9	104,8	12,5	0,67

Why do we have to
pay taxes?



Government Expenditure for 2014



Government Expenditures in the US (2014)

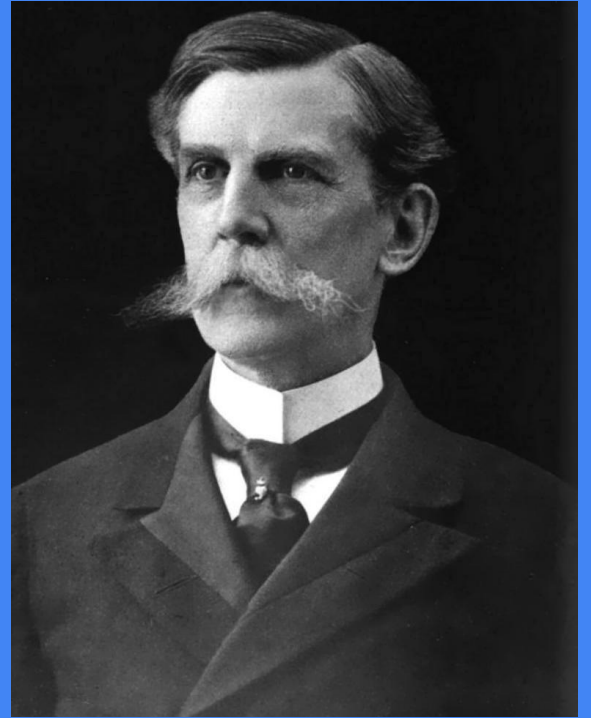


Conclusion

- ❑ Weak tax system creates shadow economy
- ❑ The main function of taxation by government - to solve those problems (created by consequences of business activity) that individuals themselves cannot resolve
- ❑ One of the priorities of the government - to protect the most vulnerable groups of the society
- ❑ Provide stability and certainty about the future
- ❑ All people directly or indirectly benefit from government expenditures (mostly financed by tax collection)

“Taxes are the price we pay for civilized society”.

Oliver Wendell Holmes, Jr.
(1900)



References

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<http://mineconom.gov.kg/index.php?Itemid=159&lang=ru>

