



A GUIDE TO DOING BUSINESS IN TAJIKISTAN

September 2017

FOREWORD

Operating a business in another country is always a challenge. This publication, one of RSM series «Doing Business In» is designed to assist you in undertaking effective business in Tajikistan, and provides an overview of the most important issues related to understanding and conducting a business in Tajikistan. The publication also introduces you to RSM member firm in Tajikistan, whose experience will help you take advantage of all business opportunities in Tajikistan.

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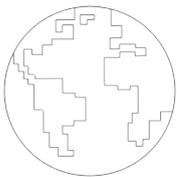
The world is changing rapidly. With constant advances in technology, communications and infrastructure, barriers are disappearing and the business landscape is becoming more global every day.

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INTRODUCTION

General Information

Republic of Tajikistan – a country located in the southeastern part of the Central Asian, which borders Uzbekistan in north- west, Kyrgyzstan in the north, China in the east Afghanistan in south.

Country's 143 thousand square kilometers area, of which 93% is mountainous.

Capital City	Dushanbe
Official language	Tajik
Business parlance and lingua franca	English,
Russian Population	8.6 million
GDP	USD 6.9
billion	
GDP per capita	USD 804

The climate is subtropical with considerable daily and seasonal fluctuations in air temperature, little precipitation, dry air and low cloudiness.

Form of Government

The Republic of Tajikistan is a unitary state with a presidential form of government. The Republic of Tajikistan is a secular state.

Economy

Tajikistan is an agro-industrial country. Economic policy is aimed at achieving three major strategic goals: ensuring energy independence, food

security and break of communication deadlock. Tajikistan's economic growth rate increased from 6% in 2015 to 6.9% in 2016. Foreign investments have contributed to the growth in the industrial and construction sectors in the country, where growth rates reached 16% and 20.3% respectively. Industrial production increased mainly due to mining and food processing. The volume of agricultural production increased by 5.2%, partly by improving the efficiency and favorable weather conditions.

The official inflation rate remains stable at 5.9% (average per year). Tajikistan has great hydropower potential, large deposits of mineral resources and a great potential in tourism. Agriculture accounts for 18.9% of GDP, industry – 21.9%, services – 59.2% (in 2009). Export of aluminum provides half of export earnings, and export of cotton is second.

Culture

Culture and public relations in Tajikistan have a centuries old history. Tajik people's artistic culture has formed and developed since the old days in the territory of Central Asia and modern Afghanistan. Number of cultural monuments that are preserved in the territory of modern Tajikistan are included in the list of UNESCO World Heritage. Education and science in the last millennium has absorbed the Aryan, Hellenistic, Persian, Islamic, Turko-Mongol and European cultures.

Visas

Every foreign citizen crossing the state border of Tajikistan shall have a valid passport or other identity document with an entry visa.

Citizens of the following countries enjoy visa-free entry regime: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, and Ukraine.

Visa-free regime also works for the holders of diplomatic passports of the following Afghanistan (up to 30 days), the Islamic Republic of Pakistan (90 days) and Uzbekistan (30 days). Visa processing period and visa fees depend on the objectives of the visit and the duration of stay in the country.

Simplified visa procedure

Under simplified visa procedure, review of visa applications are carried out within three working days, including the review and issuance of relevant categories of visas, and in exceptional cases, the review period may be extended, not exceeding ten working days.

The simplified procedure of visas of all categories are issued only to citizens of particular countries (the list can be obtained at the Ministry of Foreign Affairs website at <http://www.mfa.tj>). Electronic visa application may be done at the following site: www.visa.gov.tj

Customs

Private person may import or export the following categories of goods at the maximum of the

specified quantity without customs declaration:

- Alcoholic beverages 2 liters;
- Tobacco products (cigarettes)- 2 blocks (400 units);
- Jewelry- 4 products, for the value not exceeding 150 times of the minimum wage established by national legislation;
- Import of currency with no restrictions.
- Export of foreign currency not exceeding 3,000 USD

Regular working hours

Most of the companies, government agencies and banks are open from 8:00 am to 17:00 pm, Monday to Friday. Shops are open from 9:00 am to 22:00, Monday to Sunday.

FORMS OF ECONOMIC ENTITIES

General provisions

Doing successful business in Tajikistan depends on knowledge of the relevant legislation, since the implementation of entrepreneurial activity is regulated by a variety of laws. A clear understanding of the advantages and disadvantages of different forms of organization of business entities is therefore required. Legal entities and individual entrepreneurs are referred to economic entities in the Republic of Tajikistan.

Individual entrepreneur- a natural person, registered as an entrepreneur without establishing a legal entity, but virtually possessing many of the rights of legal entities, with the exception of some peculiarities:

- State duty payments at half cost for registration of individual entrepreneurs. In general, the registration process is much simpler and requires fewer documentations;
- Individual entrepreneur does not require a charter and charter capital, but it is responsible for its obligations and for all of its assets;
- Individual entrepreneur cannot be assigned an authorized and responsible director;
- Individual entrepreneurship is registered on behalf of only one person as opposed to legal entities, where it is possible to register two or more founders;
- Individual entrepreneurship cannot be sold or re-registered.

The Civil Code of the Republic of Tajikistan (the CC RT) discloses the concept of a legal entity. It is an organization that has separate property under ownership, economic management, or operative administration and that is liable for its obligations with its property and that may, in its own name, obtain and exercise property and personal non-property rights, bear duties, and be a plaintiff and defendant in a court.

Each legal entity in the Republic of Tajikistan undergoes a state registration. Legal entities in a

mandatory manner shall have:

- Name
- Governing body

In addition, each legal entity has a package of founding documents (charter and founder's agreement), defining its status, rights and responsibilities. Depending on the form of ownership, legal entities can be public or private (non-state) entities. Public legal entities are those enterprises and institutions whose property fully belongs to right of ownership to the State.

The Civil Code of the Republic of Tajikistan provides for two types of legal entities entitled to carry out their activities in Tajikistan: commercial and noncommercial organizations. The main difference between the two is the ability to freely engage in business activities, earn an income and distribute it among the participants. In connection with participation in the formation of the property of a legal entity, its founders (or participants) may have rights under the law of obligations with respect to this legal entity or rights with respect to its property:

- Legal entities with respect to which their participants have rights under the law of obligations include: business partnerships and companies, production and consumer cooperatives;
- Legal entities with respect to whose property their founders have the right of ownership include: unitary enterprises including subsidiary enterprises and also institutions financed by the owner.
- Legal entities with respect to which their founders (participants) do not have property rights include: public associations or religious organizations, charitable and other public funds, associations of legal entities (associations and unions);

Depending on the personal or property participation, economic activities are divided: on partnerships and companies. In partnerships, efforts of all its shareholders are combined, i.e. personal involvement in the activities of the partnership is required, while in companies,

- Legal address
- Separate accounting.

founder's capital are united and their personal participation is not mandatory, although it is not prohibited;

Depending on the amount of rights in things with respect to legal entities to whom the property is transferred: on the rights of operational management – these are public enterprises and institutions; on the right of business activity – these are unitary enterprises; on the right of ownership – these are partnerships and companies, cooperatives, public associations, and etc.).

Foundation, operation and liquidation of legal entities in Tajikistan is regulated by the following normative legal acts:

- Law of the Republic of Tajikistan on "On state registration of legal entities and individual entrepreneurs" dated May 19, 2009 № 508;
- Rules "On single state register of legal entities and individual entrepreneurs", dated November 02, 2013 №493, approved by the Resolution of the Government of the Republic of Tajikistan;
- Civil Code of the Republic of Tajikistan (Part I), dated June 30, 1999 № 802;
- Law of the Republic of Tajikistan "On Limited liability companies" dated May 10, 2002 № 53;
- Law of the Republic of Tajikistan "On joint stock companies", dated March 5, 2007 № 237;
- Law of the Republic of Tajikistan "On cooperatives", dated February 20, 2013 № 1073;
- Law of the Republic of Tajikistan "On state enterprises", dated February 28, 2004 № 10;
- Law of the Republic of Tajikistan "On securities market", dated June 28, 2011 № 745;
- Law of the Republic of Tajikistan "On public associations", dated May 12, 2007 № 258;
- Law of the Republic of Tajikistan "On bodies of public initiative independent social action authorities", dated January 5, 2008 № 347;
- Law of the Republic of Tajikistan "On

- Charitable activity", dated April 22, 2003 № 18;
- Law of the Republic of Tajikistan "On Freedom of Conscience and Religious Associations", dated 26 March 2009 № 489.

Types of legal entities

General provisions

Commercial organizations, the main objective of its activity is to pursue a profit and distribute it among its founders, participants, shareholders. Commercial organizations may carry out any activities not prohibited by the legislation of the Republic of Tajikistan to gain a profit.

Registration of a legal entity in Tajikistan is done through the tax authority of the Republic of Tajikistan (Tax Committee under the Government of the Republic of Tajikistan, Tax authorities of Gorno-Badakhshan Autonomous Region, regions, city of Dushanbe, cities and districts). Some forms of legal entities (non-commercial organizations) are subject to registration with the Ministry of Justice of the Republic of Tajikistan.

The state registration of commercial legal entities includes:

- Recording the data on legal entities in the Single state register of legal entities and individual entrepreneurs;
- registration of a legal entities in statistics and social security bodies;
- Issuance of a certificate of state registration with the assigned unique identification number, taxpayer identification number.
- Current legislation of the Republic of Tajikistan distinguishes the legal entities according to several criteria.

Non-commercial organizations, in turn, are created, as a rule, to achieve social, charitable, cultural, educational and scientific purposes, to meet spiritual and other non-material needs of citizens and organizations, as well as for other purposes, aimed at achievement of public benefit.

Entrepreneurial activity for them is not the main purpose and it can be carried out exclusively for the achievement of the charter goals of the organizations.

As business partnerships and companies, non-profit organizations are divided into several types of legal entities, whose activities are, in most cases, regulated by separately adopted laws.

The business partnerships and companies can be created in the following forms:

- Full partnership;
 - Limited partnership;
 - Limited liability company (thereafter "LLC");
 - Additional liability company (thereafter "ALC");
 - Joint stock company (thereafter "JSC");
 - Commercial cooperative;
 - State unitary and public enterprise.
- Fundamental normative legal acts regulating the issues of establishment and activities of the above-mentioned commercial organizations are:
- Civil code of the Republic of Tajikistan (Part I), dated June 30, 1999 № 802;
 - Law of the Republic of Tajikistan "On Limited liability companies" dated May 10, 2002 № 53;
 - Law of the Republic of Tajikistan "On joint stock companies", dated March 5, 2007 № 237;
 - Law of the Republic of Tajikistan "On securities market", dated June 28, 2011 № 745;
 - Law of the Republic of Tajikistan on "On state registration of legal entities and individual entrepreneurs" dated May 19, 2009 № 508;
 - Law of the Republic of Tajikistan "On state enterprises", dated February 28, 2004 № 10;

Non-commercial organizations may be established in the following forms:

- Non-commercial cooperative;
- Consumer cooperative;
- Public and religious organizations;
- Public movements and bodies of public initiatives;
- Political party;
- Charitable and other funds, institutions and unions of legal entities (associations).

Fundamental normative legal acts regulating the issues of establishment and activities of the non-

commercial organizations are:

- Civil code of the Republic of Tajikistan (Part I), dated June 30, 1999 № 802;
- Law of the Republic of Tajikistan "On public associations" dated May 12, 2007 № 258;
- Law of the Republic of Tajikistan "On bodies of public initiatives" dated January 5, 2008 № 347
- Law of the Republic of Tajikistan "On Charitable activity" dated April 22, 2003 №18;
- Law of the Republic of Tajikistan "On Freedom of Conscience and Religious Associations" dated 26 March 2009 №489.
- Law of the Republic of Tajikistan "On state registration of legal entities and individual entrepreneurs" (for some types of non-commercial organizations)

Key differences between the commercial and non-commercial organizations

Criteria	Commercial organization	Non-commercial organization
Line of activity	Commercial organization is established to gain a profit	Non-commercial organizations are established to achieve nonmaterial character goals
Initial goal	Gaining a profit, increasing the value of assets and increasing the income owners are the main objectives of the establishment and activities of commercial organizations	The purpose of the non-commercial organization is to perform the work as provided for in the Charter, which implies the provision of services and other activities without gaining any profit by the founders / participants / members
Use of Profit	All gained profit is distributed between the participants / shareholders of the commercial organization, or sent to its further development	Concept of "profit" does not exist
Sources of financing	Sources financing of commercial organizations are investments of founders in charter capital, income from ongoing activities, including income from participation in subsidiary companies	Non-commercial organizations receive funds for their activities from the funds, state, investors and businesses, as well as the contributions of its members, rental of premises, etc.
Restrictions on legal capacity	Commercial organizations differ by general legal capacity, possess civil rights and perform the duties that allow to carry out any activity not contrary to the laws of the Republic of Tajikistan	Non-profit organizations have only those rights and duties, which are expressly provided for in the founding documents and correspond directly to the achievement of the goals
Registering authority	Tax Committee under the Government of the Republic of Tajikistan	Main registration authority – Ministry of Justice of the Republic of Tajikistan Some forms of non-commercial organizations, such as foundations and business associations are subject to registration by the Tax Committee under the Government of the Republic of Tajikistan

Commercial organizations

Full partnership

A full partnership is one whose participants (general partners), in accordance with a contract concluded among them, are engaged in entrepreneurial activity in the name of the partnership and jointly and severally bear liability for its obligations with all property belonging to them.

Participants in full partnerships can only be individual entrepreneurs and (or) commercial organizations. The founding document of a full partnership, a founding contract signed by all founders.

Maximum and minimum amount of the contributed capital is not limited. This is due to that the partners are liable for obligations of the partnership with all their property.

Management of the activity of a full partnership is conducted by the general agreement of all the participants. The founding contract of the partnership may provide cases when a decision may be taken by a majority of votes of the participants.

Full partnership may be, at a general meeting of participants, transformed in a limited partnership, in a limited liability company or a joint stock company, in the manner provided for by the legislation of the Republic of Tajikistan.

At present, this legal form is almost never used in Tajikistan, since the use of such forms of business requires a very high level of trust between the participants.

Limited partnership

A limited partnership (special partnership) is a partnership in which, along with participants conducting entrepreneurial activity in the name of the partnership and answering for the obligations of the partnership with their property (general partners), there are one or more investor-participants (limited partners), who bear the risk

of losses connected with the activity of the partnership within the limits of the amounts of investments contributed by them and do not take part in the implementation of entrepreneurial activities by the partnership.

Indication of limited partnerships are the following:

- It is a legal entity;
- it is composed of members who are general partners or participants-investors;
- general partners are liable for the obligations of the general partnership with all its assets;
- limited partners (participants-investors) bear the risk of losses associated with the activity of the partnership within the amounts of their contributions;
- limited partners are not involved in the management of a limited partnership.

Members of the limited partnership can be natural persons engaged in entrepreneurial activity, so and legal entities.

The legal status of a full (general) partnership and limited partnership are similar in many respects. In most cases, the rules governing the provision of a limited partnership are similar to the standards of the general partnership, but they are essentially complemented by the norms on limited partners (participants-investors) that do not participate in the management of the partnership and have the other features of legal status as members of a limited partnership. The position of general partners participating in a limited partnership and their liability for the obligations of the partnership are defined by the Civil Code of the Republic of Tajikistan on the participants of the general partnership.

Legal status of the limited partnership is determined by the founding contract that is the main and only founding document of such partnership. Founding contract is signed by all general partners. Limited partners (participants-investors) in the limited partnership do not conclude or sign the founding contract.

Comparative characteristics of Partnerships and Companies

Criteria	Partnership	Companies
Composition	Participants of full partnerships and general partners in limited partnerships (i.e., other than investors in limited partnerships) may be individual entrepreneurs and (or) commercial organizations	Participants in business companies (and investors in limited partnerships) may be individuals or legal entities
Management	Partnership is managed by its members by convening of general meeting	Executive bodies, in particular the Director, Governing body, Board of Directors are created.
Member responsibilities	Participant of the partnership bear the debts of the partnership by their own property	Members of the business entity shall bear the risk of losses associated with the company's activities within the limits of their contribution (except for ALC)

In comparison with partnerships, companies are the most common form of doing business in Tajikistan. Meanwhile, partnerships have the following differences from companies. The benefits of the partnership over companies include the possibility of accumulation of substantial funds in a relatively short period, and that each member of the partnership has the right to engage in business activities on behalf of the partnership on an equal basis with others. Furthermore, partnerships are more attractive to lenders because their members bear virtually unlimited liability for the partnership's obligations.

Comparative characteristics of LLC, ALC and JSC.

Most common forms of establishing and doing business in the Republic of Tajikistan is a LLC. Main reasons for that are:

- simplicity of registration;
- no need for registration of issuance for securities;
- Underdeveloped securities market.

Main differences of LLC and JSC

The second popular form of doing business in the Republic of Tajikistan is a joint-stock company. LLC is understood as founding a business entity by one or more persons whose charter capital is divided into shares in the amount determined by the founding documents. JSC, in contrast to LLC, the share capital is divided into a number of shares of equal nominal value.

As LLC and JSC may be created by both local and foreign individuals and legal entities. Neither the LLC nor the JSC can have as a sole founder / shareholder – a legal entity that created by sole member / shareholder (Matryoshka rule).

Criteria	LLC	JSC
Registration	LLC is considered created from the moment of state registration with the registration authority of the Republic of Tajikistan (the tax authorities)	Due to the fact that the charter capital of JSC is formed by shares, which are securities, in addition to state registration with the tax authorities, the JSC should also undergo the procedure of state registration of securities issuance by the Ministry of Finance of the

Criteria	LLC	JSC
		Republic of Tajikistan
Maintaining a register	All information about LLC is entered into the Single State Register of legal entities and individual entrepreneurs (hereinafter "Single Register"). This registry is maintained by the registration authority, free of charge. LLC is committed to pay for the services of the registration authority for the issuance of an extract from the Single Register and amend it in respect of LLC	Besides the availability of information about the JSC in a single register, in addition, JSC is obliged to keep the register of shareholders. Register of shareholders of the Closed joint-stock company can be carried out independently. Registry of shareholders of the Open JSC is kept by the registrar – a professional participant of the securities market on a contractual basis and for a fee
Charter capital	A charter capital of the LCC consists of shares of its founders / participants. Share in the charter capital of LLC is actually a property right of its founder / participant. Charter capital of LLC can be paid in cash, property and property rights, having monetary value. When paying shares with securities, obtaining the prior consent of the antimonopoly authority is necessary. Charter capital is payable within one (1) year from the date of state registration, except if a different term (less) is not stipulated by the founding documents of the LLC	Charter capital consists of stocks. JSC has the right to issue common and several types of preferred stocks. The total nominal value of preferred stocks may not exceed 25% of the total amount of the charter capital of JSC. Stocks may be paid in cash, in securities, other property or property / non-property rights, having monetary value. If stocks are paid by securities, the prior consent of the antimonopoly authority is necessary. Stocks of the JSC is distributed at its established must be paid in full within one year from the date of state registration of the Company, unless a shorter period is provided by the agreement on the establishment of joint-stock company
Minimum amount of charter capital	500 somoni	Open Joint Stock Company – 5 000 somoni Closed Joint Stock Company – 1000 somoni
Alienation of shares / stocks	Sale or transfer otherwise of the share or part of the share in the charter capital of the LLC to third parties is limited by priority rights of other participants to purchase the alienated share or part of it. Charter of LLC may also provide for priority rights of the LLC itself to purchase the shares alienated when other participants do not exercise their rights. Charter of LLC may provide for the need to obtain the consent of the company or its other members to concession of shares (part of the shares) to participants of the company or third parties otherwise than for sale. Consent shall be deemed to have been received if after 30 days from the date of notification (unless otherwise stipulated by the Charter), the	Stocks of the open joint-stock company may be alienated without any restrictions. Stocks in the closed joint-stock company may be alienated only to current shareholders of JSC or to a predetermined number of persons. The shareholders of the closed joint-stock company have the advantage to purchase shares sold by other shareholders at the price offered to third parties. Charter of the JSC may provide for the priority right of the company itself to purchase the shares to be sold by its shareholders if shareholders have not exercised their priority rights to purchase shares to be sold

Criteria	LLC	JSC
	written consent of the members of the company is received or written refusal to consent is not received from any member of company	
Alienation of shares / stocks	<p>Sale or transfer otherwise of the share or part of the share in the charter capital of the LLC to third parties is limited by priority rights of other participants to purchase the alienated share or part of it. Charter of LLC may also provide for priority rights of the LLC itself to purchase the shares alienated when other participants do not exercise their rights.</p> <p>Charter of LLC may provide for the need to obtain the consent of the company or its other members to concession of shares (part of the shares) to participants of the company or third parties otherwise than for sale. Consent shall be deemed to have been received if after 30 days from the date of notification (unless otherwise stipulated by the Charter), the written consent of the members of the company is received or written refusal to consent is not received from any member of company</p>	<p>Stocks of the open joint-stock company may be alienated without any restrictions.</p> <p>Stocks in the closed joint-stock company may be alienated only to current shareholders of JSC or to a predetermined number of persons. The shareholders of the closed joint-stock company have the advantage to purchase shares sold by other shareholders at the price offered to third parties. Charter of the JSC may provide for the priority right of the company itself to purchase the shares to be sold by its shareholders if shareholders have not exercised their priority rights to purchase shares to be sold</p>
Transfer of ownership right of the share / stock	Transfer of ownership rights to the shares in the company passes from the moment of state registration of amendments made to the Single Register	Ownership rights to stocks is transferred from the moment of amendments made to the shareholder register
Number of participants	<p>From 1 to 30 participants</p> <p>In the case of exceeding the threshold, LLC during the year should be transformed into an open joint-stock company or a production cooperative</p>	<p>Number of participants of Open joint-stock company is not limited</p> <p>Closed joint-stock company – from 1 to 50 participants</p> <p>If the number of shareholders of the closed joint-stock company exceeds the limit, the closed joint-stock company should be transformed into an open joint-stock company within one year</p>
Information about participants	<p>Information about the participants of LLC is provided by the founding documents of the LLC, as well as, in the single register.</p> <p>Information about the participants contained in Single Registry is open.</p> <p>Participants of LLC may be individuals or legal entities (both local and foreign)</p> <p>Bodies of state authorities and local bodies of state authorities are not entitled to act as</p>	<p>Information on shareholders of JSC is provided in the Single Register and the Register of Shareholders.</p> <p>Information contained in the shareholder register is closed (except for the information of shareholders, contained in a Single Register)</p> <p>Shareholders of JSC may be individuals or legal entities (both local and foreign).</p> <p>Bodies of state authorities and local bodies of</p>

Criteria	LLC	JSC
	participants of LLC, if in individual cases otherwise provided by the law	state authorities are not entitled to act as participants of JSC, if in individual cases otherwise provided by the law State unitary enterprise may be founders of JSC only with consent of the state in the name of the authorized state agency for state property management.
Founding documents	Founding document of the LLC is the Charter and founding agreement. Founding agreement is signed in the presence of more than one founder/participant in the LLC	Founding document of the JSC is its Charter
Exit of a participant from the entity	Participant of LLC may at any time exit from the company by receiving from it the real value of its share.	The shareholders do not have the right to exit from the joint-stock company, except for the possibility of transferring rights on their shares to third parties. The transfer of rights to third parties is only possible through the sale or donation of shares, so when exiting from the JSC the participant may not demand from the company any payments or disbursements due to participant's share
Exclusion of a participant from the entity	Participants of LLC, whose shares together make up at least ten percent of the charter capital are entitled to request in court an exclusion of a participants from the company, who has flagrantly violated their duties by their actions (or inaction) that made the company's activities impossible or significantly impedes its activities	The legislation does not provides for the possibility of excluding a shareholder from JSC
Audit committee	The formation of the Audit Committee or the appointment of Auditor in LLC is necessarily in the presence of over 15 participants	JSC must have an audit committee or an auditor for verification of their financial and economic activity
Managing body	Supreme governing body is the General Meeting of Members. Including, managing body is an executive body (collegial – Board or sole – Director) With regard to the activities of LLC , establishment of Board of Directors is not required by the legislation	Managing bodies are: - General Meeting of Shareholders, as the supreme body; - The Board of Directors (Supervisory Board) – the management body. Creation of the Board of Directors in JSC is necessary, in the event it has more than 50 shareholders; - director, general manager, the board, administration – the executive body; - Audit Commission (Auditor) – control body.
Audit	In general, with respect to activities of LLC, the law does not set requirements on the statutory audit. Exceptions are the LLCs which are considered as public interest entities (e.g., banks, insurance companies,	Requirements on annual statutory audit are imposed by the legislation of the Republic of Tajikistan to the activities of the open joint-stock company

Criteria	LLC	JSC
	LLCS, the amount of gross income of which is more than 30 million somoni, total assets of which are more than 100 million somoni and the number of employees of which are more than 1000 people)	Activities of closed joint-stock companies are not subject to annual audit, with the exception of cases where the closed joint-stock company does not meet the criteria of public interest entities
Financial statements publication	With regard to the activities of LLCs, the legislation does not impose requirement on the publication of the financial statements	Requirements on the publication of the financial statements are imposed in regards to the activities of open joint-stock company

By expanding the concept of ALC, it should be noted that in essence ALC is the same as LLC, but with a few features. Rules regulating the activities of LLC is applied in respect of ALC, unless otherwise follows from the nature of the relationship.

ALC is a company founded by one or several persons whose charter capital is divided into shares of sizes determined by the founding documents. Participants in such a company jointly and severally bear subsidiary liability for its obligations with their property in the amount, divisible of the value of their contributions, identical for all of them and is determined by the founding documents of the company.

In case of bankruptcy of one of the participants, its liability for the obligations of the company are distributed among the remaining participants in proportion to their investments, unless another procedure for distributing liability is provided by the founding documents of the company (article 105 of the CC RT).

Moreover, the interests of ALC creditors are better protected than the creditors of LLC, besides the creditors are entitled to the total amount of additional guarantees, which remains unchanged, i.e. in the event of the bankruptcy of one or more participants their additional responsibility is distributed (proportionally or otherwise established by founding documents) among the remaining participants.

Thereby, rules provided for by the legislation of the Republic of Tajikistan in relation LLCs are applied to ALCs, except that participants of ALC

jointly and severally bear subsidiary liability for its obligations with their property in the amount, divisible of the value of their contributions, identical for all of them and is determined by the founding documents of the company, i.e. participants of the LLC are responsible for only debts to the extent of their contribution, and participants of ALC jointly and severally bear subsidiary liability with their property for the obligations of the organization.

Procedure of establishing LLC and JSC

LLC and JSC are considered be created from the moment of their state registration with the tax authorities. Procedure of state registration of LLC and JSC, including a list of required documents is identical. As the LLC and JSC is created based on the decisions made by the founders on:

- Establishing LLC or JSC;
- Approving the charter and signing of the founding agreement (applicable to LLC);
- determining the amount of the charter capital and the form of its payment;
- appointing of a sole executive body – the Director of the Company.

On formation of the charter capital by the property, or by the property rights having a monetary value, an evaluation of a non-monetary contribution made to the charter capital conducted by an independent appraiser is attached to the decision to establish a LLC or JSC. For state registration of LLC and JSC, following must be submitted to the tax authorities:

- Application for registration of LLC or JSC in the form approved by the registration authority;

- The decision to establish an LLC or JSC, signed by authorized persons, with the application of an independent evaluation of non-monetary contribution made to the charter capital of LLC or JSC (if applicable);
- A document confirming the state registration of the legal entity, which is the founder of LLC or JSC (certificate of state registration, extract from the register of legal entities of a foreign state or other equivalent legal document proving the legal status of a foreign legal entity). If the founder is a foreign legal entity, the document must be legalized in the Consulate Office of the Republic of Tajikistan;
- Copy of passport, a copy of the certificate of tax registration and assignment of a taxpayer identification number (hereinafter "TIN"), of the founder who is a natural person;
- A document certifying the absence of tax debts of the founder who is a natural person – citizen of the Republic of Tajikistan;
- A copy of the passport and TIN of a person designated as the Director of LLC. If a foreign citizen is appointed as the Director of the company, it is necessary to submit to the registering authority a copies of the documents on which the foreign natural person is allowed to stay and carry out work on the territory of the Republic of Tajikistan (visa, registration card and a residence permit valid for at least three months);
- Details of free economic zone authority in the case the company is created in the territory of free economic zone;
- Copies of the document confirming the location of the created LLC or JSC;
- The conclusion of the corresponding body in the case of registration of mass media;
- Receipt of payment of state duty;
- The power of attorney to the person representing the interests of the Company at its registration (if applicable).

Tax authorities within five (5) days of receipt of the documents referred to above should make the state registration of LLC and JSC and issue the following documents:

- Certificate of state registration;
- An extract from the Single Registry;
- A certificate attesting the registration as a taxpayer with the assigned TIN.

Registration of securities of JSC is carried out within 30 days from the date of submission to the Ministry of Finance of the following documents:

- An application;
- Certified by notary public a copy of the decision on issuance of securities;
- The model form of the security or certificate of the security in the case of issuance of certificated securities;
- Two copies of the founding documents of JSC;
- A document confirming the payment of state duty for registration of issuance of securities.

Commercial cooperative

Commercial cooperative is a commercial organization, in accordance with its charter provides services mainly to third parties. Net profit of commercial cooperative may be distributed among its members in accordance with the Law of the Republic of Tajikistan "On Cooperatives" and the charter of the cooperative.

Members of commercial cooperative are liable for the obligations of the cooperative in the amount and manner prescribed by the Law of the Republic of Tajikistan "On Cooperatives" and the cooperative charter. The number of cooperative members should not be less than three. The supreme governing body of the cooperative is the general meeting of its members.

Founding document of commercial cooperative is its charter, approved by the general meeting of its members.

Property held in a commercial cooperative ownership is divided into shares of its members in accordance with the charter of the cooperative. Charter of the cooperative may determine a certain portion of the cooperative owned property to be indivisible funds used for purposes

defined by its charter. The decision on the formation of the indivisible funds of the cooperative is taken unanimously by the members, unless otherwise provided by the cooperative charter. A member of the cooperative is obliged to pay within one year from the date of state registration of the cooperative hundred percent of its shares.

The cooperative shall not issue shares. Profit of the cooperative is distributed between its members in accordance with the Law of the Republic of Tajikistan "On Cooperatives" and charter of the cooperative. The assets, remaining after the liquidation of the cooperative and meeting the requirements of its creditors, are distributed among its members in proportion to their shares.

State enterprises

State enterprises may be unitary enterprises possessing state property based on the right of economic management, and state enterprises based on the right of operational (day-to-day) management.

If the state enterprise is a budget enterprise, it is financed from the state budget. Enterprises that are the direct responsibility of state authorities are called treasury enterprises. Economic activities of state enterprises are determined by its goals and objectives indicated in the Charter.

The property of a state enterprise is indivisible and cannot be distributed according to investments (nor parts nor shares), not even among the employees of the enterprise.

The state registration of commercial cooperatives and state enterprises is carried out according to the rules stipulated by the Law of the Republic of Tajikistan "On state registration of legal entities and individual entrepreneurs", i.e. in the same manner as that of partnerships and companies.

Non-commercial organizations

The most common forms of creation of non-commercial organizations in the Republic of Tajikistan are public organizations, foundations, and associations (including business associations).

Public organization, as a rule, is considered as an established organization, based on membership, for joint work of united citizens for the protection of common interests and the achievement of goals.

The founders of the public organizations can be both natural persons and legal entities – public unions. The initiative to establish a public organization must come from at least three individuals.

Foreign citizens and persons without citizenship, along with the citizens of the Republic of Tajikistan, may be founders, members and participants of public organizations, provided that they have a permanent residence in the Republic of Tajikistan, or they have a residence permit in the Republic of Tajikistan.

Fund is a non-commercial organization, not having a membership, established by individuals or legal entities based on voluntary property contributions, pursuing charitable, social, cultural, and educational or other generally useful purposes.

Property transferred to the fund by its founders is the property of the Foundation. The Fund uses the property for the purposes defined in its charter, and publishes annual reports on its use.

Fund has the right to engage in entrepreneurial activity necessary to achieve the non-commercial purposes for which the fund was created. For entrepreneurship, the funds shall have the right to create business companies or participate in them.

Commercial organizations in order to coordinate their business activities, as well as the representation and protection of common property interests may agree among themselves to establish unions in the form of **associations**.

The members of the association retain their independence and rights of legal persons.

If by the decision of the participants, the association is entrusted to manage the business activities, such an association (union) is to be converted into a business company or a partnership. For implementation of entrepreneurial activities, the association have the right to create business companies or participate in them.

Public organizations, funds and association are deemed created from the moment of their state registration in the authorized state bodies of the Republic of Tajikistan.

Public organization, as well as association of non-commercial organizations, are subject to state registration in the manner prescribed by the law of the Republic of Tajikistan "On Public Associations". The authorized body for the state registration of public organizations is the Ministry of Justice of the Republic of Tajikistan.

For the state registration of public organizations and associations of non-commercial organizations, following must be submitted to the Ministry of Justice of the Republic of Tajikistan:

- application signed by the members of the governing body of a public organization / association indicating their surnames, names, place of residence and telephone numbers;
- charter of a public organization / association, founding agreement in two copies in state language and, if desired – in two copies in the language of international communication (Russian);
- an extract from the minutes of the congress, conference, or the general or founders assembly, which contains information on the creation of a public organization / association, on the approval of the charter and on the formation of its governing and audit bodies;
- a copy of the passport or other identity document of each founder – natural persons (in relation to the public organization) and a

copy of the certificate on state registration of the charter of founders –non-commercial organizations creating the association;

- consent of the person on use of his name for the name of the public organization;
- documents proving the intellectual property rights to the symbols used in the name of public organization / association (with the appropriate registration of intellectual property rights to it);
- document confirming the location of a permanent governing body of a public organization / association.

State registration of a public association is carried out within one month from the date of submission of all the documents listed above. State registration is confirmed by the Certificate of state registration.

State registration of funds and business associations is carried out according to the procedure of state registration of commercial legal entities.

Documents confirming the state registration of funds and business associations are:

- Certificate of state registration;
- Extract from the Single registry;
- A certificate attesting the registration as a taxpayer with the assigned TIN.

Licensing of separate types of activities

Legislation of the Republic of Tajikistan establishes a list of activities, the implementation of which is prohibited without a license – permission (license) to carry out the licensed activity with mandatory compliance with licensing requirements and conditions, issued by the licensing authority to a legal entity or an individual entrepreneur.

Regulation of relations arising in connection with the licensing of separate types of activities are carried out in accordance with the law of the Republic of Tajikistan "On licensing of separate types activities" №37 dated May 17, 2004.

Licensed types of activities include the types of activities the implementation of which may result in violation of rights, legal interests, health of citizens, defense and security of the state, cultural heritage of the people of the Republic of Tajikistan the regulating of which may not be implemented by any other method, (for example, by methods of standardization, certification, and attestation and etc.).

The constitutional principle of single economic space is implemented in the Law on Licensing by establishment of single licensing requirements and conditions, single licensing procedures in the whole territory of the Republic of Tajikistan and single list of licensed activities.

Licensing requirements and conditions:

- Mandatory for all licensed activities – compliance with the legislation of the Republic of Tajikistan, environmental, sanitary-epidemiological, sanitary, fire norms and rules, as well as provisions on licensing of specific types of activity;
- Additional, with regard to activities that require special expertise for their implementation – qualification requirements for the license applicant and licensee, in particular, qualification requirements for employees of the legal entity or individual entrepreneur;
- Additional, with regard to activities that require special conditions for their implementation, – compliance with the said special conditions of the object in which or through which the activities are implemented (buildings, structures, processing equipment).

The list of additional licensing requirements and conditions in respect of the licensed activity is determined by the provision on the peculiarities of licensing of separate types of activities approved by the Resolution of the Government of the Republic of Tajikistan.

Licensing in the entire territory of the Republic of Tajikistan, supervision over compliance with

licensing requirements and conditions, suspension and renewal of the license, the formation and maintenance of the register of licenses are the responsibility of the appropriate licensing authority.

Currently, in Tajikistan there are more than 70 types of licensing. They represent a variety of activities of organizations for implementation of which obtaining a permit (license) is necessary. Law on Licensing of separate types of activities classifies licensing on the following types:

- Medical/health;
- Construction;
- environmental;
- Fire;
- Pharmaceutical activities;
- Entrepreneurship activity;
- Production;
- Activities of the organizations;
- Banks
- Environmental protection

Economic and other activities related to the use of natural resources and have or might have a harmful effect on the environment, are allowed, as a rule, based on special licenses. Activities requiring a license for its implementation, as well as the form of the license is determined by law. Conventional types of such activities are all kinds of special environmental management, including, for example, subsoil water intake for industrial purposes, the release of pollutants into the atmosphere, the discharge of wastewater, etc.

In accordance with environmental laws, various forms of documents are used implementing the functions of the license. In addition to the licenses, the following permissions are applied:

- Permission for release of harmful substances into the atmosphere;
- Permission for special water use;
- Permission on the use of animal and plant life;
- Permission on the use of forest;
- Permission for import and export of wastes to be reused;

- Permission on the normalization of the production, use, destruction and disposal of waste;
- License for the collection, use, neutralization, transportation and disposal of hazardous waste;
- License for activities related to sources of ionizing radiation and the use of radioactive substances;
- License for activities related to the use of substances and equipment that deplete the ozone layer.

Despite the variety of forms of documents used in this field, due to the implementation of the same function, they are covered by the term "licensing".

Settlement of economic disputes

In the event of disputes arising between business entities, there are pre-court (claim) and court procedure for resolving the disputes.

Claim procedure for resolving disputes is inclusion of the terms on the direction of the claim or other written notification by one of the contending parties to the other, as well as setting deadlines for response and other conditions, allowing to resolve the dispute without going to court in the contract or the law.

Claim (pre-court) procedure for dispute resolution is mandatory in some cases. Firstly, these are the events directly indicated in the law (disputes arising from freight contracts, disputes on collecting mandatory payments and sanctions, as well as disputes on the amendment and termination of the contract), and, secondly, those cases where the parties have stated such a procedure in their contract. Typically, the claim should be considered within 30 days of its receipt.

Evidence of compliance of the claimant with a pre-court (claim) procedure of dispute settlement with the defendant is a copy of the claim and documents that confirm its direction to the defendant.

Justice in the sphere of entrepreneurial and other economic activities is implemented by economic courts of the Republic of Tajikistan. As a general rule, a claim is presented to the Economic Court of the Republic of Tajikistan at the location or place of residence of the defendant. If the dispute involves a foreign person, the dispute shall be the location of the branch or representative office of a foreign person. In addition, consideration of cases with the participation of foreign persons may be allowed in the court of the state, established by the contractual parties.

With the claims filed in the economic courts of the Republic of Tajikistan, state duty is charged at the following rates:

- for claims of property nature – 2% of the amount of the claim;
- for claims on disputes arising from the conclusion, modification or termination of contracts, and disputes about the invalidation of transactions – in the amount of twice of the index for calculation;
- for claims for invalidation (in whole or in part) of non-normative acts of state bodies: for physical persons – at the rate of twofold of index for calculation, for legal entities – in the amount of ten times the index for the calculations;
- with other non-property nature related claims, including statements about the recognition of the right of enforcement of obligations in kind – in the amount of a single index for calculations;
- for applications on recognition of legal entities and individual entrepreneurs insolvent (bankrupt); for legal persons – ten times the index for calculations; for individual entrepreneurs – in the amount of a single index for calculations;
- for applications for the establishment of the facts having legal significance – in the amount of three times the index for calculations;
- for applications on engagement of third parties claiming independent demands on

the subject of the dispute – the amount of the state fee provided for claims of non-property nature, and for disputes of property nature – in accordance with the procedure set forth in paragraph 1 of this part calculated on the basis of the disputed amount by the third party;

- for appeals and supervisory complaints on decisions and regulations of the economic court, as well as on determination to dismiss the case, on abandonment of the claim without consideration, on the imposition of court fines, refusal to issue a writ of execution – 50% of the state fee charged at filing an application for claim.

Cases of the first instance in the economic court, except for bankruptcy cases, are considered by a single judge. Bankruptcy cases are considered in a collegial manner composed of three judges. Disputing parties in the court may enter into a settlement agreement at any stage of the court procedure.

Intellectual property

Intellectual property is divided into "industrial property" and "copyright":

- with the use of a patent, an "industrial property" is protected, determined by legislation certain commercial interests of trademarks and industrial designs are protected;
- with a "copyright" creators and authors are provided certain rights to their intellectual creations in the field of literature, music, art.
- Copyright in works arises from the fact of their creation. No formalities are required for emergence and exercise of copyright.

The author in relation to his/her work has the following moral (non-property) rights:

- the right of authorship, i.e. the right to be recognized as the author of the work;
- the right to a name, i.e. the right to use or

permit the use of true name of the author, a fictitious name (pseudonym) or without indication of the name (anonymously);

- the right to inviolability of the work, i.e. the right, indicating that without the consent of the author it is not permitted to make any changes, cuts and additions to his/her work;
- right of disclosure, that is, the right to publish or authorize the disclosure thereof in any form. The work which was not disclosed during the author's life, can be made public after his/her death by his/her successors, provided that such publication does not contradict the author's will, distinctly expressed by him/her in the testament;
- the right to withhold, i.e. the right to withdraw from initially made decision on the publication. The right to withhold can be implemented provided that damages caused by such a decision are compensated to the user, including a loss of profit. If the work has already been published, the author has to announce publicly about withholding of the work. In such an event, he/she has to take away earlier prepared copies of the work from public circulation at his/her expense.

Tajikistan has joined a range of international agreements in field of protection of copyrights, in particular, the World Intellectual Property Organization, the Geneva Universal Copyright Convention, the Agreement on Measures for the Prevention and Repression of the Use of False Trademarks and Geographical Indications (signed between CIS countries), etc.

Intellectual property protection related issues are also regulated by the Civil Code of Tajikistan, Law of the Republic of Tajikistan "On Copyright and Related Rights", the Law of the Republic of Tajikistan "On Trademarks and Service Marks", the Law of the Republic of Tajikistan "On Inventions" and other normative-legal acts.

FINANCIAL AND BANKING SECTOR

General provisions

State financial system of the Republic of Tajikistan is a specific sphere of financial relations conducive to the economic development of the country. The Republic of Tajikistan initiated the process of reform to improve the business climate and provide investors and businesses a brief overview of the investment climate, as well as familiarization with the legislation of the Republic of Tajikistan in the field of taxation, labour relations, mining and other sectors of the economy.

The financial sector in Tajikistan explores the regulations that promote or hinder the development of business during the entire cycle of activities, including the establishment of a enterprises, doing business, carrying out foreign trade activities, payment of taxes and the level of investor protection.

Banking system of Tajikistan is bi-level, the upper level represented by the National Bank of the Republic of Tajikistan, and the lower level represented by commercial banks and microcredit organizations.

The establishment of a credit institution carried out in accordance with the law of the Republic of Tajikistan "On joint stock companies", the law of the Republic of Tajikistan "On limited liability companies" and other laws including the law of the Republic of Tajikistan "on banking activity".

Credit institutions are required to obtain license to carry out banking operations and transactions in accordance with banking legislation.

Doing business in Tajikistan requires the support of the financial system. The National Bank of Tajikistan is responsible for overall monetary stability and contributes to the financial stability of the country. The national currency of Tajikistan is Somoni.

The National Bank sets daily exchange rates of foreign currencies, in particular to the US dollar, euro and to Russian rubles.

Commercial banks in Tajikistan offer various types of services such as maintaining savings accounts, issuing of cheques, accepts money on deposits, assist with cash management and convenient servicing of ATM and offers a variety of loans to their customers. All commercial banks have different branches all over the country to support the activities of the companies.

As at 30 June 2017 in the Republic of Tajikistan functioning 96 credit institutions, including 16 banks, 34 micro-credit deposit organizations, 13 microcredit organizations and microcredit funds 33. During the reporting period, the number of branches of credit institutions amounted to 354 units.

Leading banks of Tajikistan: National Bank of Tajikistan, SSB "Amonatbank", OJSC "Orienbank", OJSC "Bank Eshkhat", JSC "Sohibkorbank", CJSC "First Microfinance Bank", CJSC "Kazkommertsbank Tajikistan", CJSC "Kafolatbank", CJSC "AccessBank Tajikistan" CJSC "Bank of Asia" CJSC "Spitamen Bank", JSC "international Bank of Tajikistan" and etc.

List of banks, microcredit deposit organizations, microcredit organizations, microcredit foundations operating in the Republic of Tajikistan specified on the official website of the National Bank of the Republic of Tajikistan (http://www.nbt.tj/ru/banking_system/spisok_audit.php).

Banks in Tajikistan offer to domestic and foreign clients with the following main banking services:

- deposits
- loans
- payment card;
- remittances;
- safe operations;
- cash management services;
- bank guarantee.

Development and stability

Since 2012, the World Bank has embarked on an ambitious project to support the development of mobile banking services in Tajikistan, which is an important factor of economic growth. Other international financial institutions such as the European Bank for Reconstruction and Development (EBRD), international Finance Corporation (IFC), the Asian Development Bank (ADB) and others are operating in our country with the aim of increasing the level of the economy. International financial institutions are investing to projects, interact with private investors, and support the private sector to invest in various business sectors.

Since 2013 the Association of Banks of Tajikistan, member of the Financial and Banking Association of countries–members of the Shanghai cooperation, strengthens the banking system of the Republic of Tajikistan to ensure the availability of credit resources and modern banking service to entities and population of the Tajikistan.

Market Strategy

Reforms are being implemented in interbank market and new automated banking products have been introduced. Being implemented all-round support of non-cash payments within the country, as well as expansion of the possibility of mutual settlements with trading partners. It should be noted that any innovations require an objective period of adaptation, both for the banking system and for the population of the country, while facilitating more rapid integration of the introduced mechanisms.

The goal of Tajikistan's financial sector is to contribute to GDP growth, reduce poverty and transition from an agrarian economy to an industrial economy.

To achieve these goals, Tajikistan needs to implement structural reforms aimed at increasing the role of the private sector in the economy,

through a more favorable business climate, thereby increasing the volume of private investment, creating and expanding workplaces.

Listing rules

Licensing of activities of professional participants of the securities market is carried out in accordance with the Law of the Republic of Tajikistan "On licensing of separate types of activities."

Potential issuers have the right to issue securities from the moment of registration of securities and assignment of the state registration number in the Ministry of Finance of the Republic of Tajikistan. The issue of securities is registered by the Ministry of Finance of the Republic of Tajikistan regardless of the total volume of the issue and the method of subscription.

Transactions with securities are performed in the organized and unorganized securities markets. Transactions in the organized securities market can be carried out using the services of the stock exchange.

Inclusion of securities into official list of the exchange and their presence in it is a voluntary process that the issuer passes on the basis of general rules, as well as the conditions contained in the listing agreement.

During the listing procedure, declared securities are included in the appropriate category of the official list of the exchange. While the securities are on the official list of the exchange, the issuer of these securities must meet the following requirements of the official list of the exchange:

- The Issuer must be a legal entity of the Republic of Tajikistan or have documents duly legalized in the Republic of Tajikistan confirming its registration as a legal entity in another country;
- The Issuer obliged to prepare its financial statements in accordance with local and international financial reporting standards,

- including quarterly reports;
- The Issuer must not have any outstanding performance obligations under the securities issued thereby, excluding current and unclaimed arrears of payment of income on these securities
- The Charter and other documents of the Issuer must not impose restrictions on the free disposal of securities, issued by it to their owners and other restrictions to other rights on securities;
- Annual financial statements of the Issuer must be confirmed by an independent auditor, recognized by the exchange market;
- The volume of issued securities, which are included or declared for inclusion in the official list of the Exchange, must be at least 10,000 pieces;
- The Issuer must be established (pass primary state registration as a legal entity) not less than 3 years ago (this requirement, applicable for the Issuer, formed as a result of the reorganization);
- The Issuer must be profitable for the last fiscal year or the sum of the last three years;
- The Issuer should operate in the form of joint stock companies and comply with the requirements of the legislation of the Republic of Tajikistan on joint-stock companies;
- The issuer on declared or listing securities must show commitment to best practice corporate governance and before the end of the first year of listing, adopt as an internal document, the Code of corporate governance, that creates opportunities for the introduction of modern corporate governance standards into its operations;
- The Issuer to carry out primary placement of securities in the Official list of the Exchange at its trading floor, except when the conditions for the issue of such securities establish their primary placement on trading floors of foreign countries. The volume of issue of shares must not be less than 40% of the amount of capitalization;
- In the process of listing, the Issuer shall not have tax arrears, and should not be involved in the trial

Accounting standards

Individuals and legal entities are responsible for organization of accounting and preparation of financial statements, compliance with the requirements of regulatory legal acts of the Republic of Tajikistan in the course of business operations.

Companies are required to periodically submit the financial statements for the reporting period to tax inspectors, shareholders and other users of the financial statements. Deadline for submission of financial statements to the tax authorities is 3 months after the end of the calendar year, i. e. before 1 April following the reporting year. The financial statements are should be prepared according to the accounting regulations by the Ministry of Finance of Tajikistan for the private sector (content is close to IFRS). The financial statements are prepared in national currency of the Republic of Tajikistan.

Joint stock companies, banks and other credit institutions, insurance companies, stock exchanges, the State Social Insurance Agency and pensions, investment and other funds created by personal, public and state funds are obliged to publish their financial statements through the mass media an not later than 1 June of the year following the reporting year.

International Financial Reporting Standards (IFRS)
Public interest companies are obligated to maintain bookkeeping and prepare financial statements in accordance with international financial reporting standards.

Preparing and reporting procedures

Main reports provided by organizations to government authorities can be divided into the following:

Reports to be submitted to the tax authorities:

Depending on the tax system, organizations provide the following reports (declarations) to the tax authorities at the place of registration:

Reports to be submitted upon simplified tax system:

- Income tax and social tax declarations – the declarations disclose information of payroll for the reported period (all types of income, benefits and rewards, which paid to individuals in monetary, physical and intangible form, except income which exempt from income tax), amount of accrued income tax and social tax (pension fund), as well as the amount of wages which should be pay to employees.
- The income is taxable for both individuals–residents and non–residents. The tax base of taxpayers–employers on social tax is defined as the amount of wages, remuneration and other benefits, that employers pay to individuals for the tax period. Reporting period is the calendar month, the due date of the report before the 15th of the month next to the reporting month. To pay this tax is necessary until the 15th day of the month next to the reporting month;
- Declaration of simplified tax system – object of taxation under the simplified system is the gross income, including income from the supply of goods, execution of works and rendering of services and other revenues received, with the exception of income tax withheld at the source of payment considering the income from exchange rate differences.
- Gross income is calculated on a cash basis and excludes excise tax and sales tax (cotton–fiber and primary aluminum)

In the case of non–settlement of the taxpayer for goods, works or services for more than 6 calendar months, for purposes of calculating tax under the simplified regime, these goods (works, services) are considered to be paid to the taxpayer. The reporting period is the calendar quarter. The calculated amount of tax under the simplified regime is paid, and approved tax declaration by

the state authority is submitted quarterly, no later than the 10th day of the month next to the tax period.

In addition, in the presence of the object of taxation can be given declarations in the following types of taxes:

- Tax declaration of tax on vehicles – the objects of taxation are vehicles, self–propelled machines and machinery, vessels and locomotives used on the railways which are subject to the state registration and (or) are registered in the Republic of Tajikistan, the list of which is determined by the Government of the Republic of Tajikistan. The tax base for self–propelled transport vehicles shall be the engine capacity, measured in units of horsepower. The tax is payable to the relevant local budget at the place of state registration of a vehicle not later than the date of registration, re–registration or annual vehicle technical checkup. Each year, by April 1 of a year following the last calendar year, the authorized bodies shall submit to the authorized state body information on vehicles which have passed state registration (being registered) by these bodies as of December 31, of a reporting year, the number of vehicles which have passed annual technical checkup and the amount of tax which has been paid in a reporting year, in the form and in the manner established by the authorized state body by agreement with these bodies.
- Immovable property tax declaration – this type of tax paid for the use of land and object of immovable property. Tax shall be paid by land users who have land plots transferred to lifelong inherited, perpetual, limited use or lease, or by land users who actually use the land plots, except for land users, who give effect to the conditions of a simplified tax regime for agricultural producers. The tax base for the calculation of land tax is the area of land plot specified in the title documents of land users, or the area of land plots actually used by them (in their possession), except for lands which are exempt from tax payment. Payers of immovable property taxes shall be

the owners (users) of items of immovable property that are subject to taxation. Objects of taxation are buildings, residential houses, premises, cottages, garages, and other structures and buildings on the territory of the Republic of Tajikistan, as well as objects of construction in progress from the moment of residence, use. The tax base is the total area of an item of immovable property, including the area of each floor of a multistory building. Calculation of immovable property taxes (land tax and (or) tax on items of immovable property) shall be carried out by multiplying the tax base to the relevant tax rate separately for each object of taxation. Each year, not later than March 1 of a current year, taxpayers, except for individuals who do not use taxable immovable property for entrepreneurial activity, shall submit to the tax authorities at the place of location of their land plots and (or) items of immovable property, calculation of the amounts of immovable taxes (land tax and (or) tax on items of immovable property) payable by them for the current year. The form and procedure of submission of such calculation shall be set by the state authority.

The amount of immovable property taxes (land tax and (or) tax on items of immovable property) for the current tax year shall be paid by taxpayers, except for individuals who do not use this property for their entrepreneurial activity, within the following deadlines:

- for items of immovable property (land and (or) items of immovable property) located in settlements – not later than February 15th (in advance), May 15th, August 15th and November 15th of the current year, on a cumulative total from the beginning of the year, in the amount of at least 25 percent, 50 percent, 75 percent and 100 percent of the annual amount respectively;
- for items of immovable property (land and (or) items of immovable property) located outside settlements – not later than February 15th (in advance), May 15th, August 15th and November 15th of the current year, on a

cumulative total from the beginning of the year in the amount of at least 15 percent, 35 percent, 60 percent and 100 percent of the annual amount respectively.

Reports to be submitted upon general tax system:

In addition to the above described taxes (income and social tax declarations, vehicle tax declaration, immovable property tax declaration) there are the following reports:

- the corporate profit tax – object of taxation for corporate profit tax is a gross income reduced by the amount of deductions provided by Tax Code. Reporting period – calendar year. Declaration is submitted no later than 10 April; next to the reporting period. To pay the amount of tax is also required before April 10th.
- Current (advance) tax payment declaration – the tax base is determined in accordance with article 157 of the Tax code of RT, the reporting period is the calendar month. To provide the declaration required before the 15th of the month next to the reporting one, the payment term is the same as the deadline for the submission of the declaration;
- Value added tax (VAT) declaration – objects of taxation value added tax are taxable operation and taxable import, the definition of the taxable base described in Tax code of RT. The tax period for submission the declaration is a calendar month. The Declaration must be submitted before the 15th of the month next to the reporting period, pay the tax also need till 15th;
- Road users tax declaration – the tax base is defined as the sum of all produced in the reporting period expenses or, if the expenditure does not exceed 70% of gross income base is the amount equal to 70% of the gross income. Reporting period is a calendar month. The declaration must provide and pay up to the 15th day of the month next to the reporting;
- Declaration on dividends – after calculating the corporate profit tax, remains retained earnings, which must be distributed during 6 months. It is distributed as among the

founders of the organization.

- The amount of dividends is subject to taxation at the rates which indicated in the Tax Code of the Republic of Tajikistan. The tax period is a calendar year. The declaration must be submitted no later than April 1 of the year next to the reporting one. Pay the tax is also required before April 1.
- Tax reconciliation – when providing annual financial statements to the tax authorities also should provide tax reconciliation. It represents the report in which the organization indicate the profit before taxation, calculated according to accounting according to the statement of profit and loss, and then through permanent and temporary differences puts profits before tax in accordance with tax accounting, which results in displaying the amount of deferred income tax.

In addition to the above taxes, for which declarations are submitted without fail by all organizations working under both of tax system, there are other taxes (see TC of RT), obligations under which arise in the presence of a tax base.

Reports submitted to the Committee on Statistics:

- monthly report on work – the reporting period is a calendar month. The report must be submitted by the 10th day of the month next to the reporting month. In this report, it is necessary to disclose information on the number of employees and the labor remuneration fund for the current month, from the beginning of the year, for the same month of the previous year and from the beginning of the previous year. Also, should be specify the number of hours worked by employees (permanent employees, internal and external part-time workers);
- Report on the movement of labor – the reporting period is the calendar quarter. The deadline for submitting the report is the 10th day of the month next to the end of the quarter. This report contains information on the number of employees at the beginning

and end of the quarter, on dismissal or hiring, and on the number of regular jobs;

- Foreign currency report – the reporting period is the calendar quarter. The deadline for submitting the report is the 10th day of the month next to the reporting month. In the report it is necessary to disclose information on foreign currency balances on bank accounts at the beginning and end of the period, and also on the items to be drawn up due to which the currency was received and how it was spent;
- Statistical report for small enterprises – the reporting period is a calendar month. The deadline for submitting the report is the 10th day of the month next to the reporting month. This report is submitted to organizations working under the simplified tax system and the general system, if the number of employees does not exceed 10 people. This report discloses information about incomes, expenses and financial result for the reporting period;
- annual report on work – the reporting period is a calendar year. The deadline for submitting the report is April 1 of the year next to the reporting one. The report discloses information on the number of employees, the wage fund, employee leave;
- Report on the professional training of employees – the reporting period is a calendar year. The deadline for submission of the report is January 15th, after the reporting period. This report discloses the information on training of employees for the reporting period and at the expense of which funds were trained, as well as the age of employees who received training.
- All of the above reports are mandatory for submitting by all organizations. Representative offices and branches of foreign companies do not report statistics report. Also depending on the type and scope of activity, there are specific forms of statistical reporting. The type of report, its content and deadlines are determined by the Agency for Statistics under the President of the Republic of Tajikistan.

Reports submitted to the pension fund

All enterprises and organizations, regardless of forms of existence, must submit a report to the social security fund. The reporting period is the calendar quarter. The report must be submitted by the 15th day of the month next to the reporting month. This report contains detailed information on the labor remuneration fund with the names of employees and the amounts of accruals with the indication of SIN employees.

Also the report discloses information on the accrual and payment of social tax of 25% of the wage fund and 1% of the pension tax, indicating the dates of payment and the numbers of payment orders. As well as data on the accrual of sick-leave, maternity, and sanatorium expenses of the organization. To pay 1% pension tax is necessary until the 15th day of each month. To the report it is necessary to attach copies of payment orders for payment of the pension tax.

Audit

Joint stock companies and public interest companies are obliged to conduct mandatory annual audits, and are required to submit annual financial statements with an audit report to the depository (an electronic database of financial statements in an authorized government body that is accessible to users).

Investment activity

Investments attraction is essential for successful development of the economy. The national policy of Tajikistan is aimed on creation of comfortable conditions for investment activities in the country.

The legislative framework of Tajikistan foresees a number of tax privileges and special regimes for investors. Tax and financial incentives allow attracting of investments to certain sectors of the economy.

Foreign investors are entitled to bring in investments in the following forms:

- Establishment of enterprises, fully owned by foreign investors, as well as branch and regional offices belonged to foreign legal entities or by acquisition of right of ownership

of operating enterprises;

- Establishment of legal entities of the Republic of Tajikistan with involvement of citizens of the Republic of Tajikistan or by acquisition of shares of the operating enterprises;
- Acquisition of shares and bonds and other securities, established by legislation of the Republic of Tajikistan
- Acquisition of the concession rights to use state-owned assets and natural resources on the territory of the Republic of Tajikistan independently or involving legal entities of the Republic of Tajikistan as well as the citizens of the Republic of Tajikistan and in other forms not forbidden by the legislation of the Republic of Tajikistan

Investors are entitled to:

- open bank accounts in national and (or) foreign currency in banks and other credit institutions on the territory of the Republic of Tajikistan in line with the existing legislation of the Republic of Tajikistan;
- use incomes from operations at their own and sole discretion after payment of taxes and other obligatory payments

Foreign investors are warranted the right to transfer out of the Republic of Tajikistan their incomes in foreign currency, gained on the lawful bases as a result of investment and operational activities. Investors, within the framework of their investment activities, have the right to exchange the national currency of the Republic of Tajikistan into any other freely convertible currency without any constraints, as well as purchase foreign currency and other foreign currency operations pursuant to the Law of the Republic of Tajikistan "On Currency Regulations and Currency Control". The property of investors is not subject to nationalization. The government secures the equality of rights between foreign and domestic investors, preventing discrimination of the rights of investors in the grounds of their citizenship, nationality, language, gender, race and religion.

Establishment of Free economic zones are an example of a real dedicated governmental support

to investors. For the purpose of capital investment attraction, tax and customs incentives were proposed to the residents of the free economic zones, who can be both foreign investors and domestic entrepreneurs. It is planned that free economic zones will foster production of goods and provision of services, and, at the same time, through utilization of domestic capacity of the Republic of Tajikistan with attraction of new technologies, new jobs will be created and exporting potential of the country will be increased.

At present time,, there are four Free economic zones functioning in Tajikistan – “Sugd”, “Pyandzh”, “Dangara” and “Ishkashim”.

The Law “On free economic zones” provides a set of guarantees and special legal regime for entities of economic activities of the free economic zones, in particular, the Article 12 sets state guarantees, and Chapter 4 of the law prescribes special conditions for taxation, currency circulation, customs regime, labor relations and other conditions on the territory of the free economic zone.

Within the Free economic zones, any business activities, irrespective of the forms of ownership, are exempted from all kinds of taxes stipulated by the Tax Code of the Republic of Tajikistan, except for the social tax and personal income tax.

Goods placed on the territory of Free economic zones with intention to be exempted from customs duties and taxes, as well as bans and restrictions of economic nature established by normative legal acts of the Republic of Tajikistan, are considered outside the customs territory of the Republic of Tajikistan.

Fundamental normative legal acts, stipulating guarantees to protect the rights of investors, are:

- Law of the Republic of Tajikistan «On investments» No.1299 dated March 15, 2016;
- Law of the Republic of Tajikistan «On investment agreements» No. 944 dated March 19, 2013;
- Law of the Republic of Tajikistan «On Free economic zones» No. 140 dated March 11,

2011;

- Law of the Republic of Tajikistan «On currency regulation and currency control» No. 494 dated June 12,2013;
- Tax Code of the Republic of Tajikistan, No. 901 September 17, 2012;
- Customs Code of the Republic of Tajikistan, No. 1209 dated November 3, 2004.

Currency regulation

Social relations in field of currency regulation and currency control, rights and responsibilities of the residents and non-residents of the Republic of Tajikistan on possession, use and management of currency assets are governed by the Law of the Republic of Tajikistan “On currency regulation and currency control”

The currency regulatory bodies are the National Bank of the Republic of Tajikistan and other state bodies authorized by law. Activities with currency operations are carried out based on the license.

Currency transactions between residents and non-residents are executed without restrictions, except the cases with introduction of special procedures for currency operations, which can last for not more than six months and are set by the President of Tajikistan upon the proposal of the National Bank of Tajikistan (hereinafter “NBT”). Special procedures for currency operations can be introduced in case of the threatening to the economic security of Tajikistan and, in particular, for the state financial system stability.

Currency operations between residents are prohibited, except for the following cases:

1. Operations where one of the parties is the National bank of Tajikistan or the Ministry of Finance of the Republic of Tajikistan;
2. Operations (transactions) with currency assets executed by the authorized banks and authorized persons with foreign currencies, based on license received or other normative and legal acts for currency regulations.
3. Payment of bank services for bank transactions, as well as payment of penalties under agreements on provision on bank

- services in foreign currency;
4. Depositing or opening saving accounts cash in foreign currency by physical persons in their own name or in the name of other physical persons;
 5. Purchase, sale, payment of income or redemption of securities of residents and non-residents, expressed in foreign currency;
 6. Payment and transfer of cash funds under export (import) contracts upon using transferrable letters of credit;
 7. Payment of costs for business trips abroad;
 8. Transfer of currency assets between physical persons with for charitable purposes
 9. Transfer or receiving of currency assets to charitable organizations (from charitable organizations);
 10. Operations on contracts of freight forwarding, transportation of goods and hiring (freight, charter) for provision of services on the side of the sender or expeditor, carrier, freighter on export of goods from the Republic of Tajikistan or import to the Republic of Tajikistan or the transit of goods through the territory of the Republic of Tajikistan, as well as on goods insurance contracts;
 11. Payment of taxes and other mandatory payments foreseen by the legislation of the Republic of Tajikistan to the Republican budget;
 12. Following operations of individuals:
 - Donation of currency assets to the Republic of Tajikistan, state authorities and local bodies of state authority;
 - Donation of currency assets to physical persons and legal entities;
 - Leaving for inheritance or receiving as inheritance of the currency assets
 - Transfer of foreign currency to the Republic of Tajikistan and from the Republic of Tajikistan without opening a bank account;
 - Buying and selling as well as exchange of cash foreign currency from the authorized bank or authorized person.

Exchange transactions with foreign currencies are carried out by the authorized banks. Residents and non-residents can exchange foreign currency

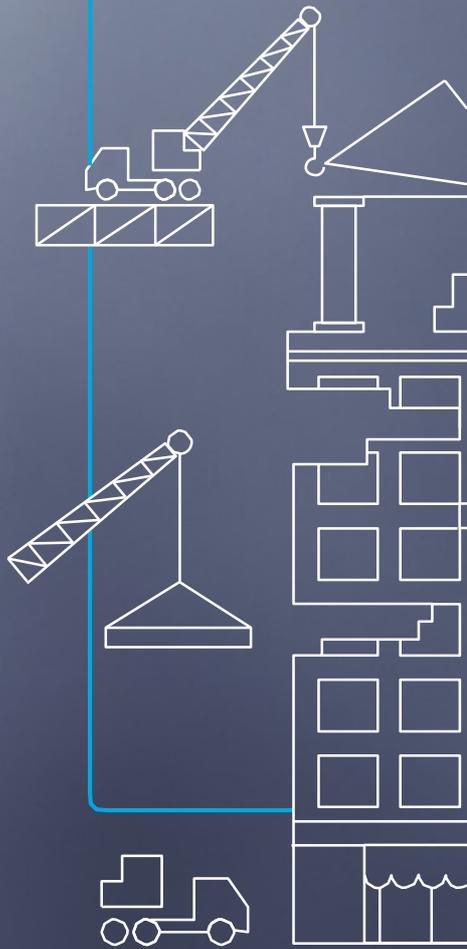
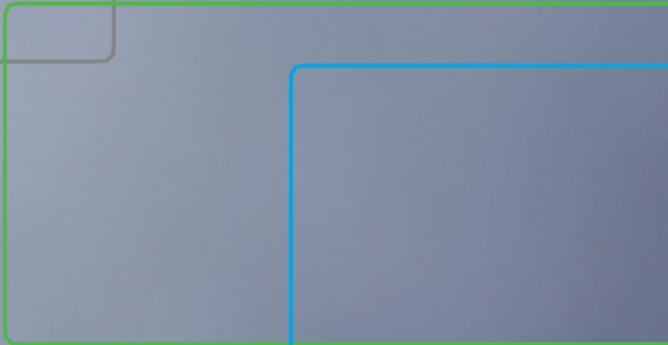
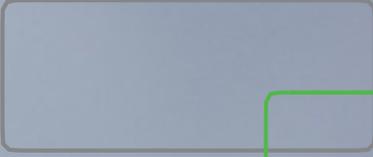
in the Republic of Tajikistan only through authorized banks and authorized persons, following the procedures set by the National Bank of Tajikistan.

Import of foreign currency in cash and securities expressed in foreign currency on documentary form to the Republic of Tajikistan by residents and non-residents is carried out without any restrictions, following requirements of the customs legislation of the Republic of Tajikistan.

Export of foreign currency in cash and securities expressed in foreign currency on documentary form to the Republic of Tajikistan by residents and non-residents is carried out in accordance with normative and regulative acts of the National bank of Tajikistan and customs authorities.

Residents can open without any limitations the bank accounts (deposit, saving, etc.) in foreign currency in authorized banks, they also can open the bank accounts (deposit, saving, etc.) in foreign banks. Residents (except authorized banks), who opened such accounts should inform National bank of Tajikistan and tax bodies during ten days.

Non-residents can open in authorized banks the bank accounts (deposit, saving, etc.) in national and foreign currency, and without any limitations they can make transfers in foreign and national currency from their accounts in foreign banks to their accounts in authorized banks, as well as from their accounts in authorized banks to their accounts in foreign banks; they can make transfers in foreign currency between his/her accounts without any limitations, following legislation of the Republic of Tajikistan. Residents and non-residents engaged in activities with foreign currency operations on the territory of the Republic of Tajikistan have to submit statements, information and supporting documentation about these operations to the currency regulation bodies, currency control bodies and agents in accordance with procedures prescribed by the normative and legislative acts of currency regulation authorities.



TAXES AND TAXATION

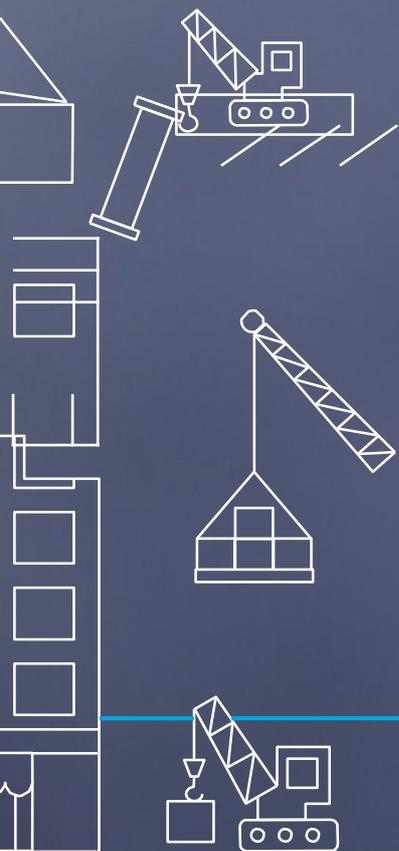
General provisions

One of the primary issues that needs to be addressed by anyone who wishes to do a business – is to make a choice of a tax system for that business. To choose a different tax system regime can be done thereafter in the process of the business operations.

Taxation- a procedure, regulated by the current legislation, of establishment, collection and payment of taxes and fees, including of the definition of types, sizes and rates of tax payments, the procedure for their payment by various economic activities (entities).

In the Republic of Tajikistan, this procedure is regulated in legislation on taxes and fees. It regulates the legal relations on establishment, administration and collection of taxes and fees in the Republic of Tajikistan. It also applies to the relations arising in the implementation of tax control, appealing against acts of the tax authority reports, actions (inaction) of their officials and bringing to responsibility for commission of tax violation.

Fundamental document regulating the issues of taxation is the Tax Code of the Republic of Tajikistan, which provides for the possibility to select the taxation system by entities of entrepreneurial activity, as well as types of taxes.



National taxes include:

- Income tax;
- Profit tax;
- Value Added Tax;
- excise taxes;
- Social tax;
- Taxes for natural resources;
- The tax on road users;
- Tax on sales of primary aluminum.

Local taxes include:

- Tax on vehicles;
- Property taxes

Taxpayer carries out business activities under the simplified tax regime in the first year of its operation after the state registration.

Under simplified taxation system a taxpayer pays the following taxes:

- Income tax from individuals who work for hire (as tax agent);
- Social taxes (for insurers – 25%, for insured – 1%);
- Simplified tax regime depending on the type of activity – up to 6%;
- Tax on dividend – at a rate of 12% (after the end of the calendar year as a result of the financial and economic activities if the company has retained profit to be distributed among the owners);
- If the company owned vehicles, then there is an obligation to pay tax on vehicles;
- If the company owns real property, then there is an obligation to pay property tax and land tax (in case of existence adjacent land).

If the gross income during the calendar year exceeds one million somoni, the taxpayer has to shift to the general taxation system from January 1 of the next year.

Legal entities engaged in entrepreneurial activity under the general tax regime, mainly pay the following taxes:

- Income tax from individuals who work for hire (as tax agent);
- Social taxes (for insurers – 25%, for insured –

1%);

- Tax on use of public road (till January 1, 2018);
- Corporate income tax (in form of monthly advance payments, and, at the end of the year a recalculation shall be made. However, the corporate income tax shall not be less than 1% of gross profit during a calendar year).
- Value-added tax (VAT – indirect tax) – at rate 18% (standard rate) or 5% (depending on type of activity);
- Excises- in the case of imports and production of excisable goods;
- Tax on dividend – at a rate of 12% (after the end of the calendar year as a result of the financial and economic activities if the company has retained profit to be distributed among the owners);
- If the company owned vehicles, then there is an obligation to pay tax on vehicles;
- If the company owns real property, then there is an obligation to pay property tax and land tax (in case of existence adjacent land).

Personal income tax

Payers of personal income tax are resident and non-resident individuals. Citizens of the Republic of Tajikistan, individuals who applied for citizenship of the Republic of Tajikistan or for permanent residence in the Republic of Tajikistan without asking for citizenship of the Republic of Tajikistan are considered residents of the Republic of Tajikistan.

An individual, who is actually in the territory of the Republic of Tajikistan for less than 182 days in any sequential following 12-month period, is considered a non-resident of the Republic of Tajikistan. If an individual-non-resident is actually in the territory of the Republic of Tajikistan for more than 182 days during the calendar year, from the 183rd day this individual will be considered a resident of the Republic of Tajikistan.

- The object of personal income tax for individuals – residents is the difference between gross income and deductions provided for by the Tax Code of the Republic

of Tajikistan. Gross income of an individual consists of:

- For individuals who are residents of the Republic of Tajikistan, from the sources of the Republic of Tajikistan and from sources outside the Republic of Tajikistan;
- For individuals– non–residents of the Republic of Tajikistan, from the sources in the Republic of Tajikistan;
- Gross income received by an individual, is divided into the following types: income received in the form of wages, income from activities that is not work for hire, and any other income.

Income received in the form of wages

In determining the tax rate of personal income tax of an individual – resident of the Republic of Tajikistan, it is necessary to take into account the amount of personal deduction for each taxpayer. This amount is not subject to taxation (according to the Law of the Republic of Tajikistan "On the State Budget of the Republic of Tajikistan for 2017", the amount of personal deduction is 50 somoni). The rate of personal income tax above the personal deduction amount up to 140 somoni is 8%, and over 140 somoni, it is 13%. Out of income received in the form of wages by individuals – residents of the Republic of Tajikistan at the main place of work, social tax at the rate of 1% is also deducted.

A single declaration on the income tax and social tax on income in the form of wages of individuals, taxes for which are held at the source of payment is submitted before the 15th day of the month following the reporting month.

Income in the form of wages and other income received by individuals – non–residents of the Republic of Tajikistan is subject to income tax at the rate of 25%.

Statement on taxes to be withheld at the source of payment is submitted by the 15th day of the month, following the reporting month.

Income of individual from activities not related to work for hire

The following income from non–entrepreneurial activity of an individual shall be an income of an individual from activity not related to work for hire:

- Income from interest 12%;
- Dividends 12%;
- Income from the rent of property or gain of value from the sale of property 13%;
- Royalties 12%;
- Amount of a debt of a taxpayer forgiven by its creditor 13%;
- Other incomes 13%

Income in the form of wages, dividends, interests, winnings, royalties and other incomes, received by an individual and previously taxed at the source of payment in the Republic of Tajikistan shall be deducted from the taxable income, received in the tax period.

Following income of individuals are not subject to personal income tax:

1. The value of gifts received from legal entities, as well as prizes (winnings) at contests and competitions, including in the form of cash, if
 - the value of gifts received from legal entities does not exceed 100 calculation indexes a year;
 - The value of prizes (winnings) awarded at the international contests and competitions does not exceed 500 calculation indexes a year
2. The value of prizes (winnings), awarded at the republican contests and competitions does not exceed 100 calculation indexes a year.
 - Increase in the value from the sale or any other form of alienation:
 - Residential buildings (premises), which are used to be the main place of residence of a taxpayer for at least 3 years prior to alienation.
 - Other immovable property owned by a taxpayer for at least 2 years prior to the date of alienation.
 - Corporate income tax

Payers of the corporate income tax are legal entities, except for those that meet the requirement of special taxation regimes. The object of taxation for corporate income tax for

residents is a gross income reduced by the amount of deductions (expenditures) provided by the Tax Code of the Republic of Tajikistan.

Object of taxation of a non-resident, operating economic activities in the Republic of Tajikistan through its permanent establishment, is its gross income from the sources in the Republic of Tajikistan connected with a permanent establishment and reduced by the amount of deductions foreseen by the Tax Code in respect of such income.

The object of taxation of a non-resident in case of receiving income from the sources of the Republic of Tajikistan and not linked with its permanent establishment is its gross income.

For the purpose of corporate income tax, following is not considered as an income:

- the value of the property obtained by the taxpayer as a share or a contribution to the charter capital;
- Subsidies, received from budget funds before January 1, 2018 by the state institutions in field of culture for maintenance of their activities.
- the amount of money received by a taxpayer being an emitter from the placement of the shares issued by him/her.

All documented actual expenditures in the reporting period and associated with receiving the income, except for personal income tax and corporate income tax, expenses related to capital expenditure, penalties and interests paid to the budget of the Republic of Tajikistan, as well as non-deductible expenses pursuant to the Article 112 of the Tax Code of the Republic of Tajikistan are deducted from the gross income.

Deduction for charitable payments are allowed in the amount of not more than 10% of the taxable income.

Deductions of the expenses for repair of depreciable fixed assets are allowed in the amount of not more than 10% of the book value of the group, excessing costs are included into the fixed asset cost.

Losses resulted from entrepreneurial activities are shifted to the following 3 year period inclusively and is compensated out of the future periods' profits before taxations.

The corporate income of a taxpayer reduced by the amount of incurred losses is subject to taxation at the following rates:

- As of January 1, 2013 – 25 percent, but not less than 1 percent of the gross income;
- As of January 1, 2015 – 24 percent, but not less than 1 percent of the gross income;
- As of January 1, 2017 – 23 percent, but not less than 1 percent of the gross income.

The declaration on corporate profit tax is submitted by April 1 of the year, following the reporting year. The payers of the corporate profit tax make final calculations and pay out the taxes at the place of registration no later than April 10 of the year, following the reporting calendar year.

Following are exempt from corporate income tax:

1. Non-repayable transfers obtained by noncommercial organizations, gratuitous property and grants used for noncommercial activity, as well as membership fees and donations received by them;
2. Enterprises other than enterprises engaged in trading, mediatory, supply & sell & procuring activities, where in the reporting tax year:
 - at least 50 percent of employees are disabled persons;
 - at least 50 percent of wages and other material support, including in natural form, is spent for the needs of disabled persons.
3. Dividends received by a resident enterprise from a resident enterprise.
4. New enterprises for manufacturing of goods, starting from the date of initial state registration, upon investment of the following capital to the charter capital of such enterprises during 12 calendar months after the date of state registration for the period of:
 - 2 years, if the investment is more than 200 thousand US dollars and up to 500 thousand US dollars;
 - 3 years, if the investment is more than 500 thousand US dollars and up to 2 million US dollars;

- 4 years, if the investment is more than 2 million US dollars and up to 5 million US dollars;
- 5 years, if the investment exceeds 5 million US dollars.

Value-added tax

A person, engaged in entrepreneurial activity, whose gross income during the previous period does not exceed 12 full subsequent (one after another) following calendar months, has exceeded 1 million somoni, during 30 calendar days shall change over to general taxation system and shall submit to the tax authority at the place of its registration an application for registration for the purposes of value-added tax simultaneously with filing the application for changing over to general taxation system.

Legal entities, engaged in entrepreneurial activities in the following fields are obliged to register as VAT payer as of the date of the state registration:

- Investment foundations, professional traders of the stock market, insurance and credit organizations, microfinance organizations, lombards, subsoil users, suppliers of primary aluminum, producers of excisable goods, intermediary organizations (which are operating based on the commission agreements, agency contracts and other intermediary agreements).

The object of taxation is the delivery of goods, work performance, and service provision (taxable transaction), except the delivery of goods, work performance, and service provision that are exempt from the value-added tax, which are performed in frames of entrepreneurial activity. Taxable transactions shall not include the service provision or work performance outside the Republic of Tajikistan.

The VAT rate is 18 % of taxable turnover, with the exception of exports and use of reduced tax rate and 18 percent of taxable imports. Export operations are taxed at zero rate.

From January 1, 2017 up to December 31, 2018 all taxable transactions related with performance of

construction works, provision of public catering services and education services, except taxable import and further supply of imported goods, as well as taxable export, are imposed with VAT at 5% rate without refund of paid VAT.

The value-added tax declaration is submitted for each reporting period not later than the 15th of month following the reporting period, the tax is paid in the same deadlines.

The following delivery of goods, performed work and provided services on the territory of the Republic of Tajikistan are exempted from the value-added tax:

- sale or transfer of hotel premises or housing for vacationers;
- sale or transfer of newly built residential premises;
- sale or rent of immovable property used for entrepreneurship purposes;
- Provision of separate financial services for remuneration, list of which is determined by Ministry of finance of the Republic of Tajikistan upon agreement with the National Bank of Tajikistan and Tax Committee under the Government of RT, including transfer of depreciable assets in respect to financial rent (leasing), except for real estate property, light motor vehicles and furniture.

Excise taxes

Payers of excise tax are persons, including separate subdivisions of legal entities that perform taxable operations. In addition, payers of excise tax are foreign legal entities and individuals that implement taxable activity in the Republic of Tajikistan.

The object of taxation are taxable transactions with excisable goods and excisable types of activities.

Excisable goods are:

- All types of spirits, soft and alcoholic beverages;
- Processed tobacco, industrial tobacco substitutes, tobacco products;

- Mineral-based fuel, petroleum and refined petroleum products; bituminous substances; mineral waxes; liquefied gas;
- Tires and rubber pneumatic tire casings, reconditioned or used tires and rubber pneumatic tire casings; solid or semi-pneumatic tires and tire casings, rubber tire treads and rim strips;
- Passenger cars and other motor vehicles intended for passenger transportation;
- Jewellery made from precious metals and precious stones and also their parts made from precious metals and (or) covered with precious stones.
- Excisable activities shall be:
 -
 - public cellular mobile communication services of all standards (cellular mobile communication services);
 - data transmission services (including cable communication and IP – telephony), including through networks of operators;
 - services of telematic agencies;
 - services of international (long-distance) telecommunication through networks of operators.
- import of two liters of alcoholic beverages or two carton (400 pcs) of cigarettes, jewelry in a quantity of 4 units (at the price not exceeding 150 calculation indexes) by an individual for his/her own consumption, and also for persons entering the Republic of Tajikistan by motor vehicle, – the contents of the fuel tank
- goods in transit across the territory of the Republic of Tajikistan
- temporary import of goods in the territory of the Republic of Tajikistan, except for goods intended for re-export;
- Social tax
- Payers of social tax are the legal entities who pay wages to resident physical persons who perform work for hire (hereinafter the insurer) and being paid non-resident physical persons (hereinafter the insured).
- The object of taxation for the purposes of social tax for the insurer is the wages paid to employees, and for the insured it is an amount received for performed work for hire.
- Social tax rate to be paid to the budget, the rate of 25% is applied for the insurer and 1% rate for the insured.
- The following are exempted from payment of social tax:
 - Income of individuals who are not citizens of the Republic of Tajikistan, but performing work and providing services to diplomatic and consular representations of the Republic of Tajikistan abroad;
 - Income of foreign citizens from work for hire in the framework of the implementation of investment projects of the Government of the Republic of Tajikistan;
 - Incomes exempted from individual income tax.

The rates of excise tax for excisable goods are defined by the Government of the Republic of Tajikistan in accordance with the Foreign Economic Activity Commodity Nomenclature. Excise tax rates may be established as a percentage of the value of the excisable goods or as a fixed amount per unit of measure of the excisable goods in physical terms.

Excise tax rates for spirit products are set depending on the product's content of absolute (100-percent) alcohol. Excise tax rates for separate types of services in the field of electrical communication are established at the amount of 5 percent of tax base. Payers of excises submit tax declarations no later than 10th day of the month following the tax-reporting period.

Followings are exempted from payment of excise:

- alcoholic beverages produced by an individual for his own consumption based on a list and within the limits set by the Government of the Republic of Tajikistan

Road user's tax

Payers of the road user's tax are persons who use general taxation system and own the object of taxation. The object of taxation is the amount of actually incurred costs for goods (works, services) in full in the reporting tax period, except for construction costs, purchase of fixed assets and their assembling, and other costs of capital character. If the actually costs occurred do not

exceed 70% of gross income, than the object of taxation equals to the amount of 70% of the abovementioned gross income.

The tax rate is set at the following rates:

- As of January 1, 2013 – in the amount of 0.5 % for trade, procurement, supply–sale activities and in the amount of 2 percent for other activities;
- As of January 1, 2015 in the amount of 0.25 percent for trade, procurement, supply–sale activities, and 1 percent for other activities;
- As of January 1, 2018, this tax will be cancelled.
- The tax declaration for the road user's tax is submitted by the 15th day of the month, following the reporting period, as well as payment for road users tax should be paid within the same period.

The object of taxation excludes the following:

- Calculated (paid) road users tax;
- Taxes, not included into the costs of the produced goods (works, services) while calculating the corporate income tax;
- Costs of persons, who for the sake of elimination of consequences of the disaster events or settlement of other social tasks create necessary facilities, which are donated to the ownership of the relevant state authorities.

The simplified taxation system for the entities of small entrepreneurship

The simplified taxation system for entities of small entrepreneurship is a special tax regime, under which the entities of small entrepreneurship pay corporate income tax from legal entities or personal income tax from individual entrepreneurs in a simplified order. Taxpayers, the gross income of which, calculated on a cash method, for the previous calendar year, did not exceed one million somoni apply the simplified taxation system.

A taxpayer, who pays the tax under the simplified taxation system, shall not be a payer of:

- Income tax, except for the income the tax on which is withheld at the source of payment
- road users tax
- personal income tax directly related to the income of an individual entrepreneur, operating

on the basis of a certificate, except for the incomes where tax is withheld at the source of payment

- VAT, except for VAT on goods imported into the customs territory of the Republic of Tajikistan and VAT of a non–resident, collected at the source of payment

Taxpayers under the simplified system are:

- persons, whose entrepreneurial activity has started in the current calendar year, irrespective of the fact of formal state registration of such persons;
- persons, whose gross income for the previous calendar year did not exceed one million somoni;

The object of taxation is the gross revenue, calculated by cash method, received for sales of goods, as well as non–operational revenues received for the reporting period in the framework of the entrepreneurial activity, except the income received as the result of work by hire in respect of the individual entrepreneur from whom the tax is withheld at the source of payment.

Gross revenue of a foreign legal entity operating in the Republic of Tajikistan through a branch or a representative office consist of an income received by this entity from the sources in the Republic of Tajikistan

If the taxpayers performs supply of goods (works, services), but the payment of provided goods (works, services) is delayed by the buyer during 6 calendar months, for the purposes of calculation of the tax under the simplified system, these goods (works, services) are considered paid to the taxpayer .

The tax period shall be considered a quarter. The tax rate for the tax under the simplified system shall be established in the following amounts:

- for the activity related to production of goods – 5 percent;
- for other types of activities – 6 percent

The calculated amount of the tax under the simplified system is to be paid and the tax declaration is submitted quarterly, but not later than the 10th day of the month following the tax

period. Payment of the tax under the simplified system shall be carried out to the local budget at the place of registration of a taxpayer.

Privileges, foreseen in respect of the corporate income tax are also applicable to the simplified taxation system.

Withholding of taxes on non-residents' income at the source of payment.

A non-resident's income from a source in the Republic of Tajikistan, which is not related to a permanent establishment of this non-resident located on the territory of the Republic of Tajikistan, is subject to taxation at the source of payment as gross income, without deductions (with the exception of a deduction of VAT reverse taxation), at the following rates:

- Dividends at the rate 12%;
- Interests at the rate 12%;
- insurance premiums paid by a resident in accordance with an insurance agreement or risk reinsurance agreement – at the rate 6%;
- Payments made by a resident for telecommunications or transportation services in the case of international communications or international shipments between the Republic of Tajikistan and other

states, with the exception of payments for sea freight – at the rate of 5%, and payments for sea freight – at the rate of 6%;

- Income in the form of wages at the rate 25%
- Other incomes, not provided in above paragraphs by the rate of 15%.
- Tax statement on taxes withheld at the source of payment is submitted by 15th day off the month, following the reporting period.

VAT reverse charge

If the person who is not a resident and is not registered for VAT purposes in the Republic of Tajikistan, who provides services or performs works in the territory of the Republic of Tajikistan for a tax agent, then such a provision of works and services are subject to VAT reverse charge.

Tax agent is a taxpayer, an organization or an individual entrepreneur, engaged in activities in the Republic of Tajikistan. Tax agent withholds VAT reverse charge from the amount payable to non-residents at the rate of 18%.

Bodies of state authorities are not entitled to introduce additional taxes, mandatory contributions not provided for by the legislation of the Republic of Tajikistan, as well as raise the rates of established taxes and tax payments.

TYPES OF TAXES AND TAX RATES

NATIONAL TAXES		
Nº	Description	Rate
1	Personal income tax	<ol style="list-style-type: none"> 1. For resident – the rate up to 13% (Monthly income is not taxable if it is less than personal deduction amount; if it is above the given amount of the personal deduction up to 140 somoni – the tax rate is 8%, and if it is over 140 somoni – it is 13%). 2. For non-resident – the tax rate is – 25 %
2	Corporate income tax	<ol style="list-style-type: none"> 1. For activities on goods manufacturing – as of January 1, 2017 – 13 %, but not less than 1 % of the gross income; 2. For other types of activities – 23 %, but not less than 1% of gross 3. For non-resident – up to 25%
3	Value-added tax (VAT)	<ol style="list-style-type: none"> 1. Standard rate – 18 %; 2. Operations in field of construction works, provision of public catering services and educational services – 5 %; 3. Zero rate – export of goods, except precious metals and precious stones, jewellery made from precious metal and precious stones, primary aluminum, concentrated precious metals, ferrous and non-ferrous scrap, and other metals produced in the Republic of

		Tajikistan, cocoon, goods manufactured in the free economic zones, cotton fiber, cotton yarn and cotton wool.
4	Excise taxes	The rates of excise tax for excisable goods are defined by the Government of the Republic of Tajikistan in accordance with the Foreign Economic Activity Commodity Nomenclature
5	Social tax	1. For employer – 25 %; 2. For employee – 1%.
6	Taxes on natural resources	According to the Resolution of the Government of the Republic of Tajikistan and Article 236 of the Tax Code of Republic of Tajikistan depending on the kind of natural resource
7	Road users tax	1. As of January 1, 2015 in the amount of 0.25 percent for trade, procurement, supply-sale activities, and 1 percent for other activities 2. As of January 1, 2018 the tax will be cancelled
8	Primary aluminum sales taxes	3%

LOCAL TAXES

Nº	Description	Rate
1	Vehicle tax	The tax rates are set for vehicles and (or) mechanical vehicles and mechanisms (per 1 horsepower of the engine power) a year (an example: pursuant to the Article 266 of the Tax Code of RT the rate for cars up to 250 horse powers is 7.5% of the calculation index (one calculation index is 50 somoni as of the 1 st of August 2017). Let's assume that we have a car with the 205 horse power capacity, therefore, the annual tax will be as follows: 769 somoni: $50 * 7.5\% * 205$).
2	Land tax	1. Land tax depends on the size, purpose and location of the land plot. 2. For real estate objects, used for living purposes (premises), as well as their housekeeping areas up to 90 sq. meters – 3%. 3. For remained areas of real estate objects, used for living (premises), as well as their housekeeping areas above 90 sq. meters – 4%;
3	Tax on items of immovable property	1. For items of immovable property, used for trading activities, food service areas and provision of other types of services and works up to 250 sq, meters – the rate is 12.75%, for Dushanbe, Kurgan-tube and Kulyab – this rate is doubled; 2. For remained items of immovable property, used for trading activities, food service areas and provision of other types of services and works above 250 sq, meters – the rate is 15%, for Dushanbe, Kurgan-tube and Kulyab – this rate is doubled. 3. For items of immovable property, used for other activities up to 200 sq, meters – the rate is 9%, for Dushanbe, Kurgan-tube and Kulyab – this rate is doubled. 4. For remained items of immovable property, used for other activities above 200 sq, meters – the rate is 12%, for Dushanbe, Kurgan-tube and Kulyab – this rate is doubled.

SPECIAL TAX REGIMES

Nº	Description	Notes
1	Individuals engaged in	1. Taxation system for individuals engaged in entrepreneurial activity based on a patent is a special taxation regime,

	entrepreneurial activity on the basis of a patent or a certificate	<p>according to which the patent's holder has to pay fixed taxes, irrespective of gained incomes. Taxation of income of those individuals, who run business based on certificate, is implemented in lines with the tax systems, provided by the Tax Code of RT.</p> <ol style="list-style-type: none"> 2. Tax rates for patent-based individual entrepreneurs in respect of certain types of activities, taking into account regional contexts, in line with the respective Chapter are established by the Government of the Republic of Tajikistan 3. Gross income of resident individuals and non-resident individuals, registered as a certificate-based individual entrepreneur (hereinafter, a certificate-based entrepreneurs) gained from all his/her activities should not exceed one million somoni. 4. Certificate-based entrepreneurs, depending on the type of activities and earned income, use the following special tax systems in established order: <ul style="list-style-type: none"> - simplified taxation system for small entrepreneurship business entities and organizations; - simplified taxation system for agricultural producers; - Entities and organizations engaged in gambling business
2	Simplified tax regime for small entrepreneurship business entities and organizations	<ol style="list-style-type: none"> 1. Simplified taxation system for small entrepreneurship business entities and organizations (hereinafter – simplified system tax) is a special tax regime, according to which, small business entities and organizations pay the corporate profit tax for legal entities and the personal income tax by individual entrepreneurs by a simplified procedure. 2. Tax rate for goods manufacturers – 5 %; 3. Tax rate for other activities – 6 %. 4. Privileges, prescribed in respect of corporate profit tax are applicable in case of simplified taxation system for small entrepreneurship business entities and organizations.
3	Simplified tax regime for Agriculture products producer entities and organizations (Single tax)	<ol style="list-style-type: none"> 1. Rates of the single tax by cadaster zones, considering mountainous regions, are established by the Government of the Republic of Tajikistan for every hectar of land every five years upon report of the authorized land management body approved by the authorized state body. 2. Single tax rates for other lands, not specified in the paragraph 1 of the article 302 of the Tax Code of RT, are deemed to be equated to rates of relevant lands, taxable by land tax.
4	Special taxation of entities and organizations engaged in gambling business	<ol style="list-style-type: none"> 1. An income, expected from every unit of taxable object (every release of lottery) is applied for the purpose of calculation of the taxable base for gambling business.
5	Taxation of construction of hydropower stations	<ol style="list-style-type: none"> 1. For HPP construction period (hereinafter construction) in the territory of the Republic of Tajikistan – the client and the general contractor of construction can completely or partially be exempted from the following taxes (from the due date for tax payment), directly related to construction), according to the list of taxes, sizes and periods of which are set by the Government of the Republic of Tajikistan in line with the part 5 of the current article:

		<ul style="list-style-type: none"> - value-added tax; - road users tax - corporate profit tax (under simplified taxation system) - vehicle tax; - real estate tax; - social tax in respect of foreign citizens directly involved in HPP construction; - state duty for registration of prospectus for issuance of non-state securities in respect with the HPP construction.
6	Taxation of newly established enterprises involved in full cycle of processing of cotton fiber to finished products (from cotton yarn to cotton sewing goods)	<ol style="list-style-type: none"> 1. Import of goods directly for own needs by newly established enterprises involved in full cycle of processing of cotton fiber to finished products (from cotton yarn to cotton sewing goods), is exempted from customs duties and value-added tax. In case of supplies by newly established enterprises of imported goods to domestic market of the Republic of Tajikistan, these operations shall be subject to customs duties, value-added tax and other taxes, according to the common procedures prescribed by Customs Code of the Republic of Tajikistan and Tax Code of the Republic of Tajikistan 2. Export of goods produced by newly established enterprises involved in full cycle of processing of cotton fiber to finished products (from cotton yarn to cotton sewing goods) are exempted from value-added tax. 3. Newly established enterprises are exempted from corporate profit tax (under the simplified taxation system) and real estate tax.
7	Taxation of poultry farms and birds and livestock feed compounds producers	<p>Enterprises, meeting the requirement of the provisions of paragraph 1 of Article 313 (1) of the Tax Code of the Republic of Tajikistan, upon confirmation by their servicing banks in the Republic of Tajikistan with supporting documentation on receipt of funds to their accounts and (or) confirmation by the authorized state bodies of the receipt of capital to the authorized fund of the enterprise, are exempted from the following taxes and payments for twelve years:</p> <ul style="list-style-type: none"> - corporate profit tax; - value-added tax; - road users tax; - real estate tax; - value-added tax and customs duties while import of goods for own needs of enterprises.
8	Taxation of the entities of the securities market	<ol style="list-style-type: none"> 1. Provisions of the article 312 (2) of the Tax Code of RT are applicable to the entities of the securities market – professional participants, emitters and investors, participating in the organized security market. 2. The activities of professional players include: <ul style="list-style-type: none"> - broker activity - dealer activity; - investment management - clearing activity; - securities' holders register maintenance activity; - depositary activity; - activity on organization of trade at security market
9	Taxation of	<ol style="list-style-type: none"> 1. This tax regime is governed by the Law "On production

	production sharing agreements (contracts)	sharing agreements" and Chapter 48 of the Tax Code RT.
10	Tax regime in free economic zones	<p>1. Entities of economic activities of the free economic zone and the administration of the free economic zone in the framework of the activities carried out in the free economic zone, and used property is exempt from all taxes imposed by this Code and other normative legal acts of the Republic of Tajikistan, except for the following taxes:</p> <ul style="list-style-type: none"> ▪ Organization – entities of the free economic zone acting as a tax agent for income tax and payers of social tax on individuals; ▪ Individual entrepreneurs in respect of income directly received (receivable) by them – payers of income tax and social tax paid quarterly; ▪ in respect of income, compensation, payments, benefits and other payments paid (payable) in favor of individuals; ▪ payers (tax agents) income and social tax.

Other mandatory fees

According to the Law of the Republic of Tajikistan "On other mandatory fees" No 197 dated July 28, 2006, there are types of other compulsory payments to budget, which are not defined in the Tax Code of the Republic of Tajikistan.

Other mandatory fees to the state budget are comprised of other republican compulsory fees and other local compulsory payments:

Other republican compulsory fees are:

- for state registration of radio–electronic equipment and high–frequency devices;
- for state registration of civil aircrafts;
- for state registration of aerodromes and airports;
- for state registration of pharmaceutical products;
- for passage of foreign vehicles through territory of the Republic of Tajikistan;
- for issue of permissions for use of radio frequency spectrum;
- Consular fees
- for issuance of apostille certificates;
- for issuance of passport of a citizen of the Republic of Tajikistan;
- licensing fee ;
- for the use of radio frequency spectrum;
- for legal protection of industrial property

objects;

- for issuance of permitting documents
- for environmental pollution and other kind of negative environmental impact;
- for use of wildlife objects
- for forest use
- for use of flora objects
- fees from net income;
- fee for compulsory insurance;
- fee for excise stamps;
- fees for granting certificates of standards bodies, metrology, certification and trade inspection;
- fees for work performed by issuing a certificate for import of liquefied petroleum gas;
- fee through court fines and other fines and penalties applied by other government bodies;
- fees for special funds of budgetary organizations and institutions.

Other local compulsory fees include:

- fees for the actions of the state automobile inspection;
- fees for the actions of the state inspection of agricultural machinery;
- fee for state registration of rights to immovable property and transactions with it;
- fee for state registration of the river small boats;
- payment for placement of outdoor advertisement.



THE POWER OF BEING
UNDERSTOOD



EMPLOYMENT RELATIONS

General provisions

Labor legislation of the Republic of Tajikistan is comprised of a range of normative legal acts, among which the most important is the Labor Code of the Republic of Tajikistan, No 1329 dated July 23, 2016. The Labor Code establishes the benchmark of legal rights and guarantees of the employee.

The employment contracts that in comparison with requirements of Labor Code and other normative legal acts in Labor sphere, aggravate the situation of employees, are not considered to be valid and are not subject for application.

In addition to the Labor Code, there are range of rules and guidelines approved by the Government of the Republic of Tajikistan in part of defining: the (i) list of productions, workshops, professions and positions with harmful and hard working conditions, working in which gives the right for shortened working day and annual additional leave (ii) works with harmful and hazardous working conditions, where it is prohibited to use the Labor of persons under age of eighteen and limit norms to be followed while lifting and moving heavy weights by hand (iii) the procedure for calculation of the average monthly salary for determination of allowances and annual leaves (iv) the procedure for working activities by foreign citizens in the Republic of Tajikistan, and etc.

The provisions of the Labor Code are applicable to the employees – citizens of Tajikistan, foreign citizens, employees of the public establishments/organizations and private companies. The legal regime is equal for both foreign employees and employees, who are citizens of the Republic of Tajikistan. Exception is the need to pass migration arrangements related to employment in the Republic of Tajikistan by foreign employees.

Employment relations arrangement

Acceptance to work in the Republic of Tajikistan is made based on the application for work and internal order of the employer. The order is announced to the employee during three working days.

While accepting the employee, the employer shall comply with the requirements of the Labor Code of the Republic of Tajikistan in the part of:

- list of required documents for employment arrangements
- collection, processing and use of the personal data of the employee
- recording on acceptance of the employee to work into his Labor records book

Employment relationship is created through an employment contract, which comes into effect from the actual commencement of the work unless otherwise provided by the contract. The contract is concluded with all employees in writing and shall contain all mandatory conditions, provided by the Labor Code. The contract, as well as all orders issued by the employer in respect of his/her employees, shall be in state (Tajik) language.

Contracts, as a rule, are signed for an indefinite period. Fixed-term employment contract can be signed for period less than one year only in those cases when signing of the open-end contract is not possible due to the nature of the future work or conditions for execution of the work.

Fixed-term employment contract are also allowed to be sign for implementation of seasonal works, duties of the absent employee, whose place of work is reserved for him/her and specific works related to operational needs.

The contract can be signed with the employee with preliminary probation. The condition of the probation should be provided for in the contract, otherwise it is considered that the contract is concluded with the employee without probation.

The probation period cannot be more than three months. The employer is entitled to terminate the

contract with the employee during probation period in case of unsatisfactory performance of the employee. In this case, the employer is obliged to give a written notice about his/her intention to terminate the contract within 7 days before the date of termination.

Labor Code prescribes cases when the probation is not applicable, in particular, in respect of:

- acceptance of employee on a competitive bases for vacancies
- transfer of the employee to work to another location or an organization
- young specialists
- persons under age 18 and others.

In case when the contract does not stipulate the probation period, it shall be deemed that the employee is employed without passing probation period. During probation period, the employer has the right to terminate the contract with the employee before the end of the probation period.

Work conditions and schedules

Employers are obliged to keep record of working hours of every employee, including overtime hours worked by employees during non-working and weekend days.

Standard duration of the working week is 40 hours. Duration of working hours depend on the duration of the working week, used by the employer. The Labor Code provides for five-day and six-day workweek.

Hours worked exceeding the established norm is considered as overtime work. The overtime work is allowed in cases prescribed by the Labor Code. The Labor Code also sets limitations in respect of involvement of certain groups of employees to overtime work (pregnant women, disabled persons, etc.). The number of overtime hours worked during a year shall not exceed 120 hours in a year. Overtime work in works without harmful and heavy factors shall not exceed 4 hours in two days in a row. Overtime work is allowed with the consent of the employee and is paid at a double rate. Upon agreement with the employer, the employee can be granted another day of leave for

the overtime work.

The Labor Code prohibits the engagement of employees to work on holidays and weekends. The number of day offs depend on the workweek established by the employer. As a rule, the day offs are Saturday and Sunday.

According the Law of the Republic of Tajikistan "On holidays" No 753 dated August 2, 2011, public holidays in Tajikistan are:

- 1 January – New Year;
- 8 March – Mother's day;
- 21-24 March – International holiday Navruz;
- 9 May – Victory Day of Great Patriotic War;
- 27 June – National Day on Unity;
- 9 September – Independence Day of the Republic of Tajikistan;
- 6 November – Constitution Day of the Republic of Tajikistan;

Days on Idi Ramazon and Idi Qurbon Holidays annually are set by the authorized state body on religion issues.

Work on holidays are subject to financial compensation or by granting another day off. Work on non-working holidays is compensated by payment. Work on holidays and weekends is paid not less than one hourly rate, on top of salary, if the work has done within the limits of monthly norm of working time, and in the amount not less than the double hourly rate over the salary, if the work have been done exceeding the monthly norm. Labor Code sets similar limits on attracting certain categories of persons to work in the public holidays and weekends, as in the case of overtime.

Wages/salaries payable to the employee by the employer is one of the essential conditions of the employment contract. Labor code sets that the size of salary payable may not be less than the minimum wage to be determined by the President of the Republic of Tajikistan. The minimum wage is subject to review on an ongoing basis.

Terms of payment of wages are subject to the provisions of the employment contract, collective agreements or other local normative act and

cannot be less than once in every half month.

Annual leave

Every employee has the right for annual leave of not less than 24 calendar days. The right to annual leave during the first year of employment is given not earlier than after 11 months of work by the employer. Giving annual leave is allowed proportionally to the worked part of the working year, but not less than 14 calendar days, except for certain categories of workers (teachers, pregnant women, etc.).

Annual leave is granted, as a rule, in full. By agreement between the employee and the employer, the annual leave can be divided into parts, one part of which should not be less than 14 calendar days.

Labor Code permits the employer to recall the worker from annual leave. Recall may take place only in the presence of the employee's consent. The unused part of the leave is granted to the employee at another convenient time during the current working year, or should be added to the annual leave of the next working year.

Labor Code provides for other types of leave to which an employee is entitled, in particular:

- social leave (maternity leave, educational leave and leave for creative work);
- отпуску без сохранения заработной платы;
- Unpaid leave;
- Temporary leave without pay or with partial salary (if case of need for a temporary suspension of production (work), or temporarily reduction of its volume).

Leave without pay is granted by the employer, in its sole discretion, for legitimate family or other reasons. The Labor Code specifies the cases in which leave without pay must be compulsorily provided to the employee on the basis of his statement. These cases include the birth of a child, marriage registration, and death of relatives.

Termination of employment relations

Termination of employment relations can take place in the cases expressly provided for in the Labor Code. These cases, in particular, are the agreement between the parties of the labor contract, the initiative of one of the parties to the employment contract, the expiry of the employment contract, the circumstances that do not depend on the will of the parties and move the employee to an selected job (position) or his appointment to the post, which excludes, as a rule, the possibility to continue the employment.

Upon termination of employment contract, the employer must:

- Issue an order on the termination of an employment contract;
- make all the payments due to the employee on the day of his dismissal;
- make a record on termination of employment (dismissal) in the work book of the employee and return it to the employee (not applicable to workers who work part-time).
- Mandatory payments due to employees by the employer in the event of termination of an employment contract are:
 - unpaid on the day of dismissal wages/salaries / awards / other forms of remuneration;
 - compensation for unused leave (fully or partially);
 - severance pay (in cases when the employee is entitled to receive such);
 - Other payments that may be due to the employee in accordance with his employment contract.

According to Article 41 of the Labor Code of the Republic of Tajikistan employee has the right to terminate the contract at will (regardless of its duration), notifying the employer in writing two weeks. This period begins to run from the day following submission of the application for dismissal.

Employees may submit a letter of resignation on their own will at any time, even during the period of temporary incapability for work, during a vacation, during performance of state or public duties, and so on.

By agreement between the parties, the labor contract may be terminated before the expiration of the notice period. The purpose of notice by the employees on their own will is to give the employer the opportunity to find a new employee to the place of to be dismissed employee. Notice on the dismissal of an employee on their own will has a certain legal significance consisting in the fact that during the notice period, none of the parties to the employment contract has the right to unilaterally terminate it based on that ground. If the employee is dismissed against the wishes of the employee before the expiry of the notice period for dismissal, the employee shall be restored to the previous work.

Employee during the notice period is entitled to withdraw his resignation. The law does not prescribe in what form the application should be withdrawn, so it can be done in an arbitrary manner.

Termination of the employment contract by the employer's initiative can take place on the grounds stipulated by the Labor Code, including the liquidation of the employers' organization or a reduction in staff numbers, incompliance of the employee to the position or the implementing work, due to lack of qualifications or employee's health condition, the systematic failure of the employee to implement his assigned responsibilities without good reason, if in relation to an employee previously disciplinary action was applied, absence in the work without reasons, including absence from work for more than three hours during the working day, absence from work for more than 4 consecutive months due to temporary incapability (excluding maternity leave); violation by the employee of the rules of labor protection and fire safety or violation of safety in transport, transport, which entailed or could entail severe consequences, including injuries and accidents and other consequences.

Additional grounds to the termination of the employment contract by the employer may be provided for in the internal regulations of the employer's legal acts regulating the labor

discipline.

Employer must comply with all the procedures preceding the termination of the employment contract on his own initiative. Upon termination of the employment contract concluded for an indefinite period, for reasons to liquidate or reduce the number of employees, employer undertakes to notify the employee in writing of its intention to terminate the employment contract in not less than 2 months.

Upon termination of the employment contract by the employer in connection with the liquidation or reduction in staff numbers, employees are entitled to severance pay.

Severance pay is also payable in the event of termination of the employment contract by the employer in connection with:

- with the change of the owner;
- Apparent incompliance of the employee to the position held or work done in the result of insufficient qualification, or health condition that prevents execution of this work, if such incompetence of the employee is confirmed by the results of attestation or based on the conclusion of medical review.
- failure to appear for work for more than four months in a row due to temporary disability;
- Termination of contract with the part-time employer in connection with the recruitment of the employee who is not the part-time one
- One-time harsh violation of requirements of the Labour Code by the head of organization (its subdivisions) and his/her deputies.

Employment of foreign nationals

Despite the fact that the employment status of foreign citizens is no different from the employment of Tajik citizens' status, employment of foreign national has its own peculiarities.

Upon employment and implementation of work in the Republic of Tajikistan, the foreign national must have: (i) working visa (citizens of the CIS countries are exempted from the visa requirement), (ii) the registration card, and (iii) a work permit.

A work permit is issued to foreign nationals, taking into account the quota of attraction of foreign labor force in the Republic of Tajikistan, established on an annual basis by the President of the Republic of Tajikistan.

Established quotas do not apply to foreign workers engaged in labor activities in priority and large-scale industries – the investment projects on the basis of intergovernmental agreements, as well as to foreign specialists attracted to work in the free economic zones of the Republic of Tajikistan

RSM TAJIKISTAN

RSM Tajikistan is active in Tajikistan since 2009. In response to increased demand for corporate professional services in Tajikistan an auditing firm Ehso Audit was founded in 2008. During its existence, Ehso Audit (now RSM Tajikistan) has earned a reputation for its uncompromising high quality of work and client service.

With the strive to align its quality standards with international requirements, the firm to joined one of the leading international accounting networks and expanded its line of services on tax, assurance, accounting, legal and other advisory services. In 2015 Ehso Audit after a rigid quality control review and selection was admitted a full membership at RSM International and since has re-named to RSM Tajikistan.

As a full member of RSM International, RSM Tajikistan continues to provide high quality services on which it builds its reputation.

Our clients benefit both from our international and from local experience, who offer their in-depth knowledge of management, industry and business consulting, local legislation and international law, international and local accounting principles, corporate finance and taxation.

RSM Tajikistan employs more than 25 professional staff and is lead by two partners. Our professional staff consists of professionals with both international and local experience in provision of works and services.

Most of the professional staff possess recognized degrees and professional qualifications and majority are fluent in many languages, including Tajik, Russian, Turkish, French and English.

RSM Tajikistan has licenses for the implementation of statutory audit and audit of financial institutions issued by the Ministry of Finance of the Republic of Tajikistan and the National Bank of Tajikistan.

RSM INTERNATIONAL

RSM is an international network of independent professional firms. It was formed in the early 1960s, evolving to be known as DRM. In 1993, the organization restructured and changed its name to RSM International, an acronym reflecting the names of the three principal members at that time.

The 2015 survey of the International Accounting Bulletin ranks RSM as the **sixth largest network** of independent accounting and advisory firms.

The network now comprises members and correspondents in 120 countries with more than 800 offices, 41,400 total staff, and combined revenues in excess of US\$4.87 billion.

Many RSM member firms are among the top seven in their respective countries, and possess some of the best professional resources and experience available. The member firms have a broad client base from large listed and international companies to smaller, owner-managed businesses in the public and private sector. In addition to traditional assurance services, RSM possesses significant resources and experience in tax, transaction support, risk advisory, internal audit and corporate finance.

VITAL SERVICES FOR YOUR GROWING BUSINESS

RSM member firms can help you with all of your professional services requirements, including the mainstream areas of audit, tax, risk advisory, IFRS, restructuring and transaction advisory services.

As well as these core services, our member firms also offer a wide range of specialist services, such as wealth management, IT consulting, legal advisory, forensic accounting and human resource consulting, investment project management, and projects in development of public management sector.

Due to our extensive network of firms, we have experience in most industry sectors. Our resources and expertise within RSM member firms around the globe are available to all clients, wherever you are based and wherever you operate.

Our services:

- Audit and Assurance
- Tax advisory
- Accounting
- Managerial advisory
- Transaction support
- Risk advisory

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