

Profile——The Republic of Tajikistan (Tajikistan for short)

I . Jurisdiction Background

The Republic of Tajikistan is a landlocked state in Central Asia, located in the foothills of the Pamir Mountains. It is a presidential republic consisting of four provinces, the capital is the city of Dushanbe - the largest scientific, cultural, political, economic, industrial and administrative centre of the country. The official language of Tajikistan is Tajik, it is used in everyday life by most of the population, Russian is used as the official inter-ethnic language. Tajikistan is rich in natural resources, but since 93 per cent of its territory is mountainous, their extraction is hampered by underdeveloped infrastructure. The economy of Tajikistan is dependent upon agriculture and services, and 30%-40% of Tajikistan's GDP came from immigrant remittances (mostly from Tajiks working in Russia).

II . Organizational Structure

Tax authorities of Tajikistan consist of the Tax Committee and territorial tax authorities, which as a whole form a single centralised system of tax authorities in Tajikistan.

The Tax Committee of Tajikistan is the central executive body of tax authorities and carries out its activities directly or through its territorial bodies in co-operation with other state authorities. Various departments have been established within the Tax Committee, including the Taxpayer Registration Department, Taxpayer Services Department and Tax arrears collection department, etc.

Territorial tax authorities consist of the Tax Department on taxation of large taxpayers with inspectorates in Gorno-Badakhshan Autonomous Oblast, other oblasts and Dushanbe city; Tax Departments of Gorno-Badakhshan Autonomous Oblast, oblasts and Dushanbe city; Tax Inspectorates in cities (districts), as well as territorial bodies of the Tax Committee for state registration of legal entities and individual entrepreneurs.

Territorial tax authorities are accountable and subordinate to the relevant higher tax authorities, and the Tax Committee of Tajikistan is accountable to the Government of Tajikistan.

The main function of the tax authority is to ensure the implementation of legislation, ensure timely payment of taxes, promote and participate in the legislative process, assist taxpayers in fulfilling their obligations and complying with tax laws, and determine the procedures and methods for analyzing the risks of tax authority corruption and their implementation and so on.

III. Current Tax System

There are nine different kinds of taxes in Tajikistan, which can be divided into three categories according to their nature:

- ◆ Goods and services taxes: including Value Added Tax, Excise Tax, Sales Tax and Customs Duty.

- ◆ Income taxes: including Corporate Income Tax, Individual Income Tax.

- ◆ Other taxes: including Taxes on Natural Resources, Social Tax, Property Taxes.

All of the above taxes are national taxes except for Property taxes, which are local taxes. In addition, sub-taxes can be created under some of the taxes, e.g. Taxes on Natural Resources include Signature Bonus, Commercial Discovery Bonus, Royalties

on Production, Water Royalty, and Export Rents, and Property Taxes consist of Tax on Immovable Property, Land Tax and Vehicle Tax.

Tajikistan's tax revenues are distributed among the various levels of the budget, funds from national taxes are distributed between the republican budget and local budgets in accordance with the Law on the State Budget of Tajikistan for the relevant financial year. Payments on local taxes go to the respective local budgets.

IV. Overview of tax preference policies

In accordance with article 32 of the Tax Code of Tajikistan, priority sectors identified by the Government of Tajikistan may benefit from a 50 per cent reduction in the rate of all taxes for a period not exceeding five years. These sectors include agriculture, extraction of minerals and Manufacturing industry etc.

Tax exemptions (other than Value Added Tax exemptions) may be granted with the condition that the funds exempted from taxation are directed to certain purposes. In case of misuse of such funds, they shall be subject to recovery in the budget with the accrual of penalties in accordance with the established procedure.

An exemption from CIT is available for taxpayers that are production companies in case their founders have made a certain amount of investments into chartered capital. In case of natural disasters (earthquakes, floods) and emergencies (epidemics and pandemics), the Government of Tajikistan may grant tax holidays to all taxpayers or a group of taxpayers.

In addition to the Tax Code, the annual State Budget Law in 2024 of Tajikistan provides for a number of additional tax incentives. In particular, the Value Added Tax for processors and sellers of wheat and pasta products has been reduced to 10 per cent, importers of natural gas and electricity are also exempt from paying 50% Value Added Tax.

Other tax benefits for specified taxpayers include:

◆ Tax benefits for entities of the securities market: These benefits are available for professional participants, emitters, and investors participating in the organised security market, which include: i) Professional participants are exempt from 50% of Income Taxes and Value Added Tax; ii) Emitters are exempt from Income Taxes on income received related to the increase in the value of securities; iii) Investors are exempt from Income Taxes on income from an increase in the value of securities (coupon, discount, etc.).

◆ Tax benefits for poultry, fish farming, and production of combined feed: These benefits include exemption from Income Taxes, Value Added Tax, Land Tax and Property Tax.

◆ Tax benefits for innovation and technological activities: Taxpayers engaged in innovative and technological activities are exempt from paying any taxes (except for special cases).

◆ Tax exemptions for income derived from tourism services: A five-year Corporate Income Tax exemption is available on income derived from tourism services from the moment of state registration. In addition, import of equipment, construction, and other materials for tourist objects are exempt from Value Added Tax.

V. Tax Collection and Administration

Tax administration in Tajikistan consist mainly of tax payment control, which is a form of state control and is carried out mainly by tax authorities. The Customs of Tajikistan shall exercise tax payment control within the limits of their authority in

accordance with the Tax Code and customs legislation of Tajikistan. In addition to tax payment control, tax administration measures also include tax monitoring, risk management, application of cash control devices, notification and explanations on fulfillment of tax liability.

Tax Committee of Tajikistan is moving forward with the digital transformation of tax administration. It has developed more than 40 tax services and more than 50 service models, as well as cloud data, open interfaces, electronic payments, neural networks and AI, which have enabled data integration, the collection of taxpayers' information files, the tracking of the flow of information and goods, the circulation of electronic documents and IT dialog with taxpayers. Also, quality and satisfaction with tax services is assessed by in online mode.

VI. Taxpayer Services

The tax service channels of the Tax Committee of Tajikistan mainly include the Taxpayer's webroom, which allows the taxpayer to Submit declarations in electronic format and receive a reconciliation act. For foreigner entities who provide electronic services to individuals of Tajikistan, Tajikistan has established an e-Filing system, thereby assisting foreign entities in registering and filing tax returns.

The website of the Tax Committee has also opened the function of online counselling, which allows taxpayers to ask questions about tax laws online.

In order to regulate the provision of nearly 70 tax services to taxpayers, the Uniform Standard of Service to Taxpayers were approved by the Order No. 250 of the Chairman of the Tax Committee dated 22 April 2024. The Order regulates the time limits, the cost and the person responsible for the provision of services, etc. For example, the Tax Committee for state registration of legal entities and individual entrepreneurs must complete tax registration for taxpayers within one or two days free of charge.

VII. Tax Legislation Process

Tax legislation of Tajikistan is a developed system of normative legal acts on regulation of tax relations. The foundations of tax regulation are laid in the basic law of the country - the Constitution of the Republic of Tajikistan, adopted at a general referendum on 06 November 1994.

Most of the provisions on tax legal regulation are covered by the Tax Code of Tajikistan, the provisions of which take precedence over the norms of other laws and acts. The first Tax Code was introduced in 2004. Subsequently, in 2012 and 2021, new Tax Codes were re-enacted. After the enactment of each new Tax Code, Tajikistan enacted amendments to it almost every year.

In order to implement the provisions in the Tax Code, the Government of Tajikistan has issued a number of Decrees. In most cases they are procedural in nature, but they may also directly determine the rate of a particular tax. For example, the Decree No. 206 of 27 April 2022 approved the tax rate of Land Tax.

Due to the fact that the tax legislation of Tajikistan provides for the division of taxes into national and local taxes, the administration of local taxes is carried out by normative acts of the local authorities.

VIII. Future Tax Reform Plan

The Government of Tajikistan considers tax reform as a top priority, reflecting the growing importance of improving the business and investment climate and enhancing the competitiveness of the national economy. The Tajikistan Tax Reform Operation

Project, carried out with the support of the World Bank, includes the following priority directions:

- ◆ Simplifying the tax system.
- ◆ Improving taxpayer services.
- ◆ Improving voluntary tax compliance.

To achieve these objectives, the Project will finance the following activities:

- ◆ Development of by-laws necessary for the implementation of the new edition of the Tax Code.
- ◆ Development of a modern risk assessment methodology based on international experience for tax audits.
- ◆ Introduction of mechanisms to improve the efficiency and transparency of tax expenditures.
- ◆ Introduction of cost-benefit analysis in relation to tax incentives provided.
- ◆ Simplification of requirements for tax reporting and unification of tax and financial reporting for individual taxes.
- ◆ Introduction of an automated Value Added Tax refund system.
- ◆ Automation of certain services for taxpayers.
- ◆ Raising the standards of taxpayer service, taking into account feedback from taxpayers.

IX. International tax cooperation

Tajikistan is an active participant in international tax cooperation, which not only promotes the development of cross-border trade and investment activities, but also expands its influence in regional economic and international organisations.

- ◆ Tajikistan has signed Double Taxation Agreements with 35 countries (including China and the Russian Federation), based on the United Nations model tax convention.
- ◆ Tajikistan cooperates with Russia, Belarus and other CIS member States in improving their tax administration systems and actively participates in the work of the Coordinating Council of the Heads of Tax Services of the CIS Member States.
- ◆ Tajikistan actively attended the Conference of the Belt and Road Initiative Tax Administration Cooperation Forum.
- ◆ Tajikistan attended in the Summit of the UN Special Programme for the Economies of Central Asia (SPECA). The head of state welcomed the establishment of the SPECA Trust Fund and suggested that in the coming years, attention should be paid to such priority areas as simplification of trade procedures and removal of artificial barriers, expansion of multi-modal transport and economic corridors, development of green economy and digitization.

X. Others

None.