



АГЕНТСТВО РАЗВИТИЯ
МЕЖДУНАРОДНОГО
ФИНАНСОВОГО ЦЕНТРА

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A Comfortable Holding Jurisdiction

- While Kyrgyzstan is not an internationally recognized holding jurisdiction, owning investments through a Kyrgyz company may carry significant tax advantages.
- If the tax law of any country makes it disadvantageous to use zero-tax entities as holding companies for ownership of that country's local assets, please consider Kyrgyzstan. It has a 10% tax rate which should qualify as a good faith rate in many countries, and setting up real (not simulated) presence in Kyrgyzstan is easy. It should by definition satisfy any 'substance' requirements of the income source country.
- Once the income is taxed in a foreign country by way of withholding, there is no further taxation of it in Kyrgyzstan (provided the foreign country's withholding tax rate is 10% or higher) — the local law allows for a full set-off. And once the Kyrgyz company receives its profit, there is usually no problem to export or reinvest it without the need to pay dividends and suffer a withholding of the Kyrgyz tax on dividends.
- Since Kyrgyzstan is a member of the Customs Union, Russian 'controlled foreign company' (CFC) law is not applicable to companies incorporated there. Although Kyrgyzstan's profit tax rate is much lower than in Russia, Russian tax law exempts the Russian shareholders and controllers of Kyrgyz entities from the «look-through» taxation of the undistributed profits of such entities.
- Maintaining substance in Kyrgyzstan is easy and several times cheaper than, Eg. in Cyprus (plus no «offshore» stigma).
- In Russia it is no longer easy to use the treaty-guaranteed low withholding tax rates when expatriating profits abroad: Russian tax authorities require the recipient to have substance and be the ultimate beneficiary of the income, not a flow-through entity. Thus even theoretically lower treaty rates are in practice unavailable for investments routed through Cyprus, Netherlands etc. Kyrgyzstan can provide a good alternative, with much better structuring opportunities available to stay within the strict criteria of the Russian tax system.
- Kyrgyzstan has no 'controlled foreign company' legislation and consequently, Kyrgyz holding companies can be used to hold income-generating zero-tax entities without any tax consequences for the Kyrgyz company unless and until the subsidiary's income is distributed as a dividend. There are no 'deemed dividend' rules, so distribution can be delayed for an indefinite time.
- Locally listed public limited companies provide a privacy-enhanced investment and holding vehicle for those seeking law-compliant privacy in today's very transparent world. Beneficiary disclosure rules in many countries do not require the disclosure of beneficiaries of publicly listed

companies on top of what is routinely disclosed in accordance with the listing rules of the exchange.