

Bishkek December 16, 1992, # 1076-XII

## **THE LAW OF THE KYRGYZ REPUBLIC**

### **On Free Economic Zones (FEZ) in the Kyrgyz Republic**

(As amended by Law of the KR # 2, of March 15, 1996)

("Lists of the Supreme Soviet  
of the KR" # 3, article 90, 1993)

Chapter I. General Provisions

Chapter II. Special Legal Regimes in FEZ

Chapter III. Procedure for Creation of FEZ and Management of them

This Law defines legal bases of creation and functioning of FEZ in the KR.

#### Chapter I General Provisions

Article 1. Concept, aims and kinds of FEZ

FEZ in the KR are isolated areas specially singled out on the territory of separate regions, districts and cities of the KR for:

- the effective involvement of economy of separate regions and the Republic on the whole into the international division of labor;
- providing favorable conditions for attraction of foreign capital, technologies and management experience;
- development of economic potential of the territory on the basis of intergration of foreign capital with material and monetary means of local enterprises and organizations based on state and private property;
- creation of a modern productional and social infrastructure;
- saturation of the internal market by products and goods of a consumer and productional purpose;
- raise of a living standard of population.

In FEZ special legal regimes are established providing for benefits in the sphere of foreign-economic and economic activity, and corresponding withdrawals and additions in legal regulation of labor relations.

Article 2. Conditions for organization of FEZ

A territory given for FEZ and its arrangement are provided according to this Law and Regulation on FEZ.

The territory of FEZ is out of the customs territory of the KR of which borders are a component part of the customs border of the KR.

Article 3. Zones of export production (Excluded)

Article 4. Zones for foreign investment attraction (Excluded)

Article 5. Legislation of the KR on FEZ

This Law, Regulations on FEZ, international treaties and agreements regulate relations appearing in connection with creation and activity of FEZ.

Legislation of the KR, if doesn't contradict this Law, is in force in the territory of FEZ.

#### Chapter II Special Legal Regimes in FEZ

Article 6. A special customs regime

A special customs regime which includes abolition of customs duties on export of goods produced in FEZ and import of goods into FEZ, or on goods intended for re-export, and free movement of goods through the border, abolition of non-tariff restrictions on export and import is currently in force in FEZ.

To provide this regime, General Directorates of FEZ jointly with the State Customs Inspectorate under the Ministry of Finance of the KR and Ministry of Interior of the KR create subdivisions of customs services and law protective bodies in these zones.

Transit via the territory of FEZ of exporting and importing goods is carried out without any preferential tariffs.

#### Article 7. A special currency regime

A special currency regime on the territory of FEZ provides for a free circulation of foreign currency; as well as in rendering services and payments between legal entities and natural persons in compliance with regulations which the National Bank of the KR establishes.

Payment of FEZ with foreign states is made in any currency by agreement of the Parties.

On the territory of FEZ preferential conditions for currency accounts with central and local budgets can be provided.

#### Article 8. Benefits in the sphere of economic and foreign-economic activity in FEZ

Participants of economic and foreign-economic activity (legal entities and natural persons registered in accordance with the established procedure) are exempt from all kinds of taxes, duties and charges for the period of their activity in FEZ.

Export of goods produced in FEZ is exempt from allocation and licensing.

Participants of economic and foreign-economic activity (legal entities and natural persons registered in the established order) pay the General Directorate of FEZ every year for tax exemptions in the amount of from 0,1 up to 2% of proceeds of sale of goods and services.

The Cabinet of Ministers of the KR establishes a procedure for calculation and charge for the exemptions. On profit and incomes of FEZ's entities earned in the process of activity in this zone and directed to the productional sphere in other territories of the KR, tax exemptions provided for herein remain.

#### Article 9. Contractual regulation of labor relations in FEZ

A collective contract (agreement) and individual labor agreements (contracts) regulate labor relations including issues of hiring and dismissal of employees, conditions and sizes of labor payment, as well as in foreign currency, regime of labor and rest, social guarantees and compensation at enterprises of FEZ.

Collective and individual labor agreements can't worsen the status of employees of these enterprises and organizations in comparison to terms and conditions provided in legislation on labor currently in force in the KR and in conventions of the International organization of labor ratified by the KR.

A salary which foreign employees receive in foreign currency after payment of taxes can be transferred abroad without difficulty.

The General Directorate of FEZ regulates issues of activity of FEZ's entities, entry permission to FEZ, preparation of passes, residence and work permission, and other issues concerning the activity of FEZ.

#### Article 10. Financing activity of FEZ

A zone's budget is formed in order to provide functioning of FEZ. Incomings from leasing of land, buildings and structures which the administration of zones manages, from rendering different services by them, issue of zonal loans, and a part of means got in the process of privatization is placed into income of the zone's budget.

Financing of infrastructural arrangement of FEZ is carried out through the means assigned from the Republic budget (both in the form of granting budget loans and direct investing in creation of priority objects of productional and social infrastructure), and through the means of local budgets and incomes from the activity of the zones.

Attraction of means of the Republic's budget is carried out on terms coordinated with the Ministry of Economy and Finance of the KR. In case of receiving budget loans, all tax payments or their part on the territory of FEZ come to budget of FEZ in accordance with the procedure agreed with the Ministry of Economy and Finance of the KR and within a certain period of time.

#### Article 11. Procedure of entrance and departure from FEZ

A simplified regime of entrance and departure of foreign citizens are in force in the territory of FEZ.

The Ministry of Foreign Affairs of the KR establishes for each zone concrete regulations of entrance and departure which are mentioned in Zone's Regulation. For this, the Ministry of Foreign Affairs of the KR creates a special agency which the General Directorates of FEZ finance.

#### Article 12. Validity terms of benefits in FEZ

Tax exemption and the customs regime in the territory of FEZ for entities of FEZ apply to the whole period of their activity in the zone.

Entities of FEZ submit only an annual accounting balance sheet to the State Tax Inspection under the Ministry of Finance of the KR.

In entities of FEZ various verifications on issues of their financial and economic activity, and taxation are made with knowledge of the General Directorate of FEZ no oftener than one year.

### Chapter III Procedure of creation of FEZ and management of them

#### Article 13. Procedure of creation of FEZ

The Jogorku Kenesh of the KR taking into account opinion of local state administrations and bodies of the local self-management creates and liquidates FEZ.

The Supreme Soviet of the KR determines the border of FEZ, procedure and validity terms.

The Cabinet of Ministers of the KR approves Regulation on each FEZ.

The General Directorate of FEZ, as a legal entity, is a FEZ's entity.

#### Article 14. Management of FEZ

The General Directorate (Directorate) of FEZ is the body of management of FEZ.

The Cabinet of Ministers of the KR appoints a General Director (Director) of FEZ.

#### Article 15. Registration of enterprises with foreign investments in FEZ

Enterprises with foreign investments which are available or founded in FEZ, as well as branches, departments and representations of enterprises located out of the territory of FEZ which are available or founded in FEZ are subject to registration by the General Directorate (Directorate) of FEZ. The General Directorate (Directorate) of FEZ establishes a registration procedure of business entities with foreign investment.

FEZ's entities registered by the General Directorate are not subject to registration in the State Commission of the KR on foreign investment and economic aid (Goscominvest), and in this, the General Directorate of FEZ is obliged to inform Goscominvest of the KR and the National Statistical Committee of the KR about their registration.

President of Kyrgyz Republic A.Akaev