



THE WORLD BANK
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Assessment of Tax Compliance Costs

FOR BUSINESSES IN THE KYRGYZ REPUBLIC IN 2012-2023

APRIL 2025

Methodology

Continuity in survey design allows for comparison of main results across all five rounds of the survey conducted from 2012 to 2023

Goal

Assessment of taxpayers' time and financial costs of complying with mandatory requirements of the tax legislation

Respondents

Active legal entities and individual entrepreneurs throughout Kyrgyzstan, submitted tax returns for the relevant tax periods

Frequency

- Round 1: 2012 tax reporting period
- Round 2: 2014 tax reporting period
- Round 3: 2016 tax reporting period
- Round 4: 2021 tax reporting period
- Round 5: 2023 tax reporting period

Number of respondents

	Total	5th round
Legal entities	4,958	1,219
Individual entrepreneurs	2,715	406
Farms	407	-

Qualitative analysis

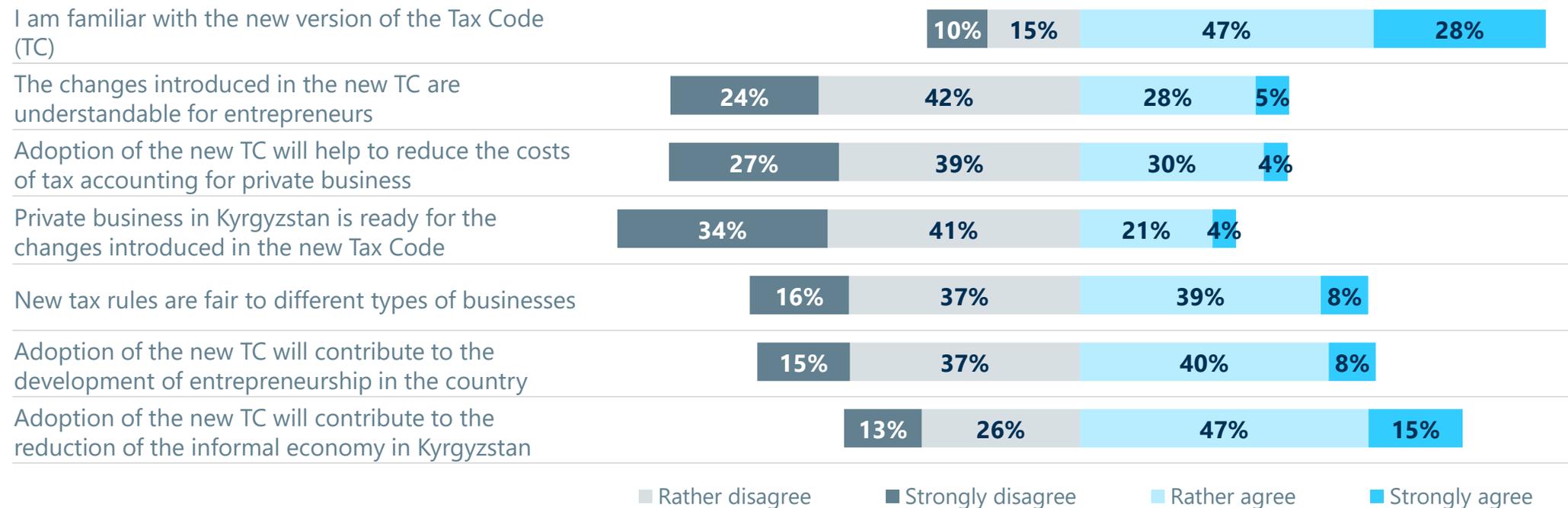
Survey results were complemented by focus group and in-depth interviews with key participants of the tax administration:

- Business accountants
- Accountants of tax accounting service companies
- Employees of the State Tax Service
- Independent Tax Experts
- Representatives of the local Chambers of Commerce, Business Unions or similar organizations
- Entrepreneurs who have switched from a patent-based operations to the simplified tax regime

Perception of the new Tax Code

The new Tax Code was instrumental in bringing businesses out of the gray economy, but increased the compliance burden, for which they were not prepared

Impact of the new Tax Code on business

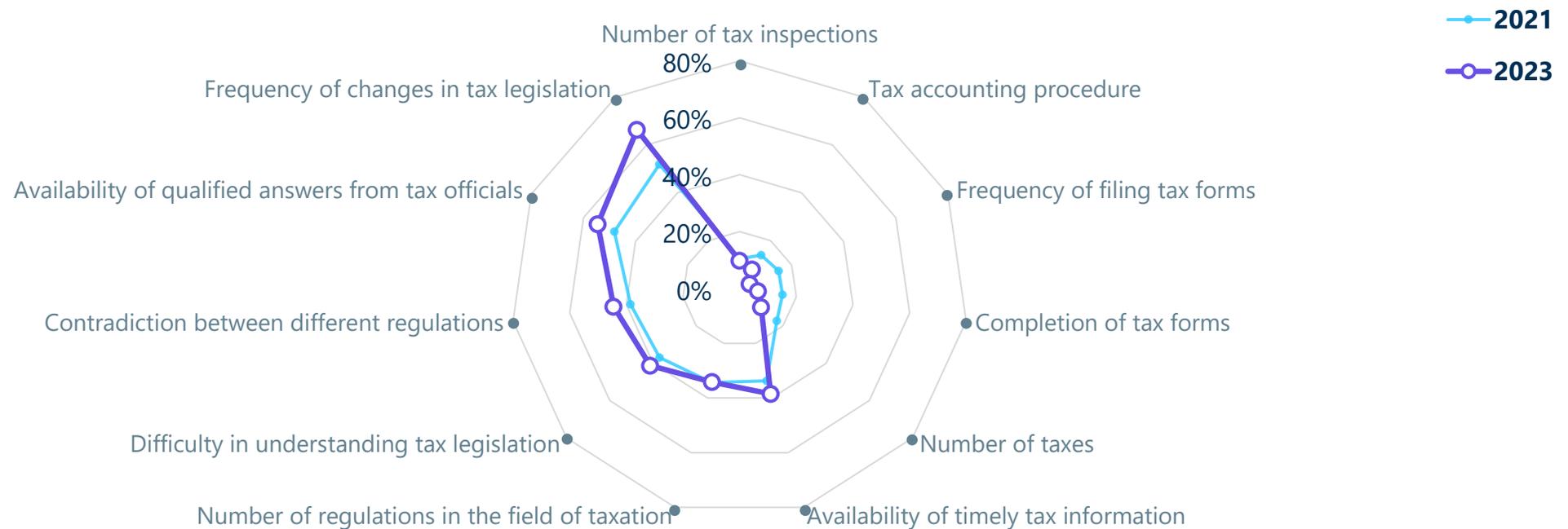


THE GRAPH SHOWS THE PERCENTAGE OF RESPONDENTS CHOOSING EACH SCALE OPTION

Perception of the tax system 1/2

The main problems of tax system are institutional: frequent legislative changes and the resulting difficulty in adapting to them

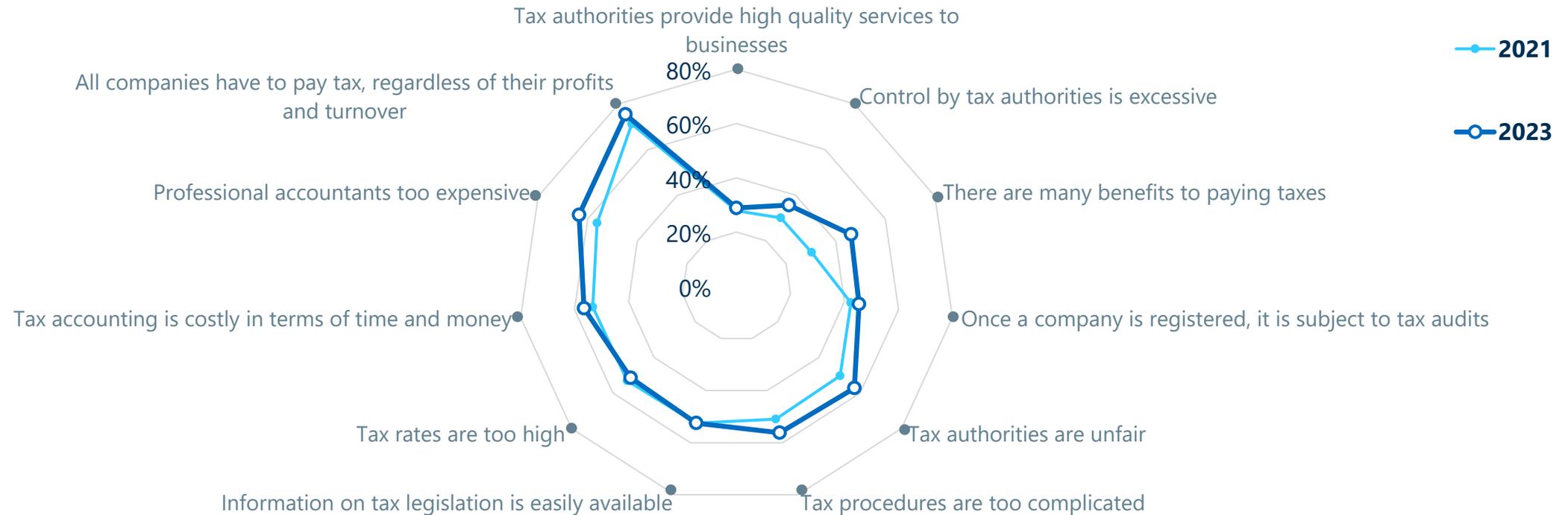
Share of legal entities that consider it a problem for their business with...



Perception of the tax system 2/2

Despite the increased administrative burden, there is a growing share of those who believe that there are many benefits to paying taxes

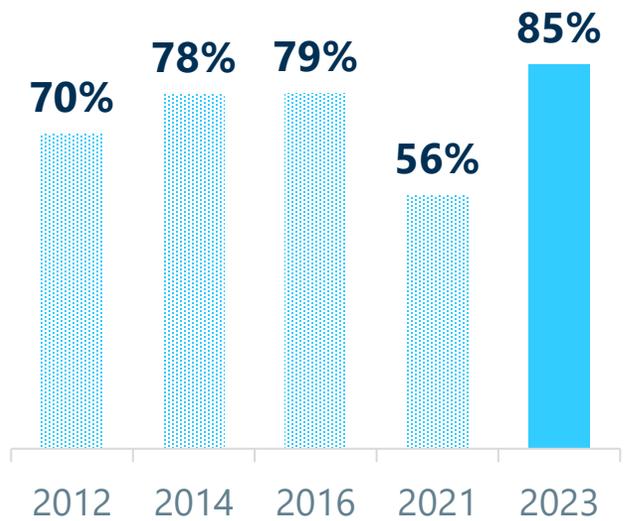
Share of legal entities agreeing with the statements



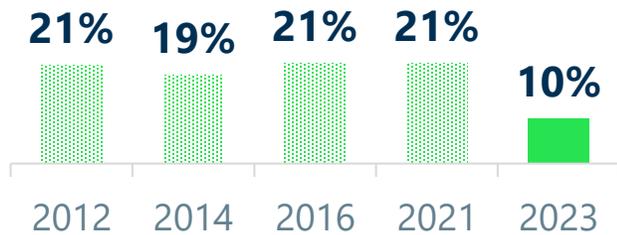
Impact on informal economy ^{1/2}

In 2023, taxpayers observed a decrease in the use of various gray tax reduction schemes

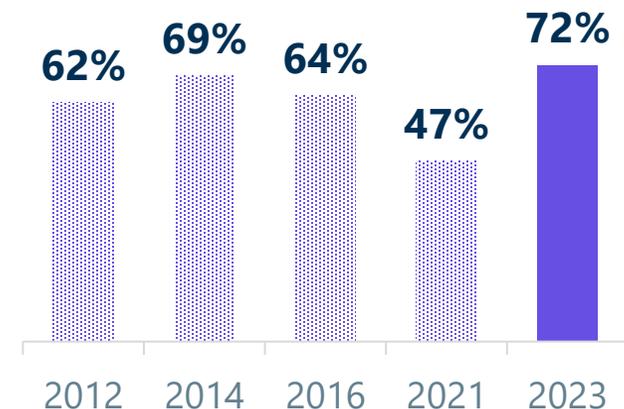
% of income declared for tax purposes



% of overstatement of costs to reduce the tax base

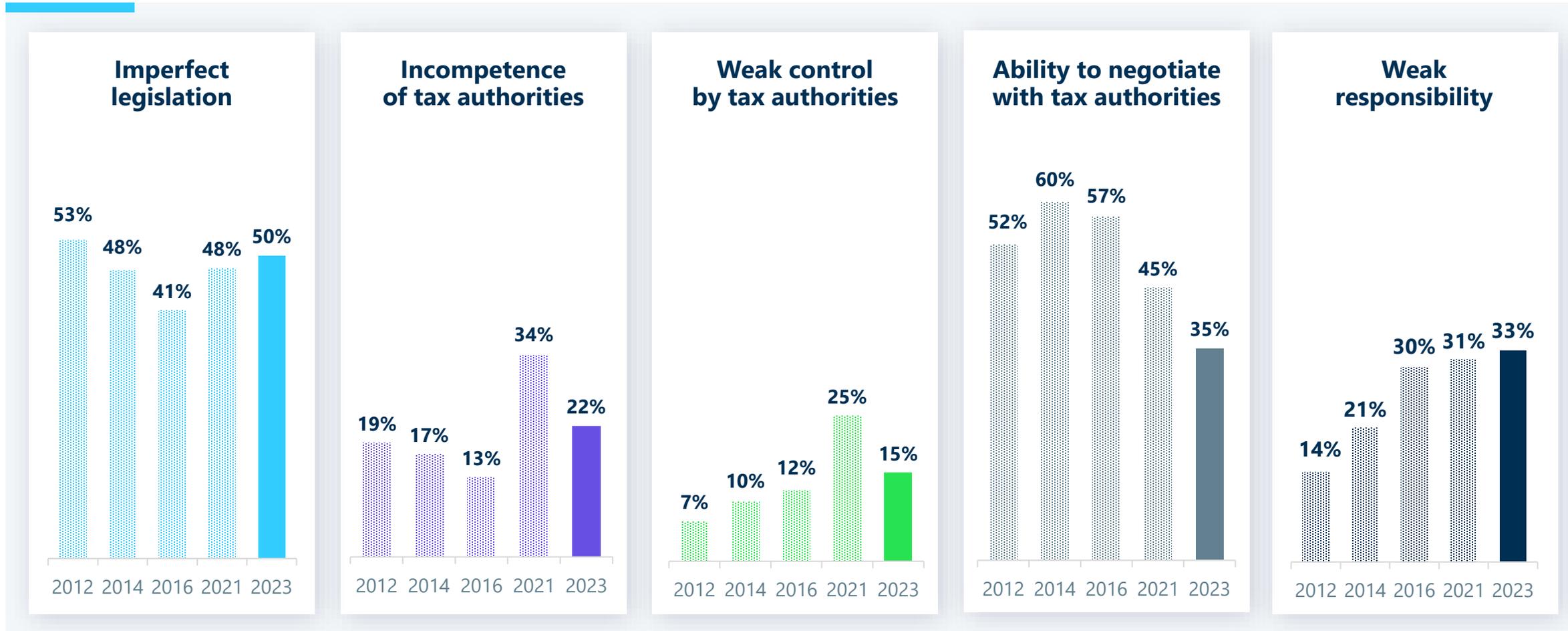


% of real salaries paid officially



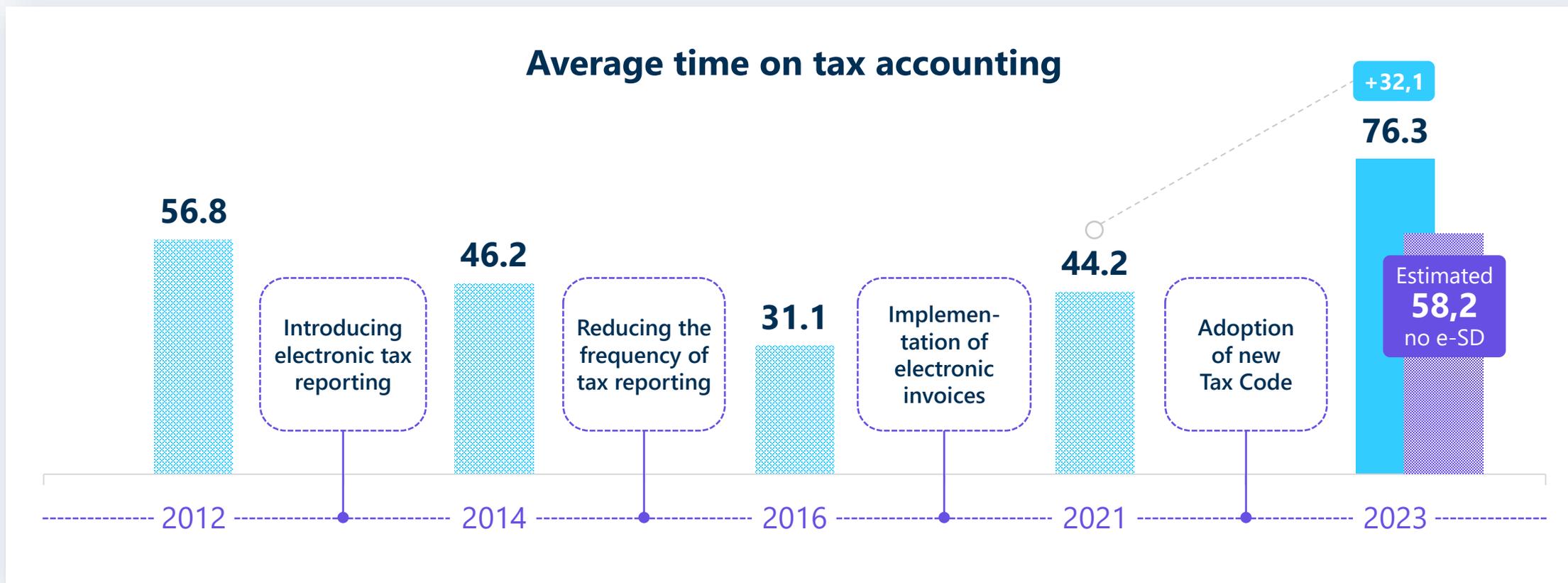
Impact on informal economy 2/2

In 2023, taxpayers saw fewer opportunities to use various gray tax reduction schemes



Time cost of tax accounting 1/3

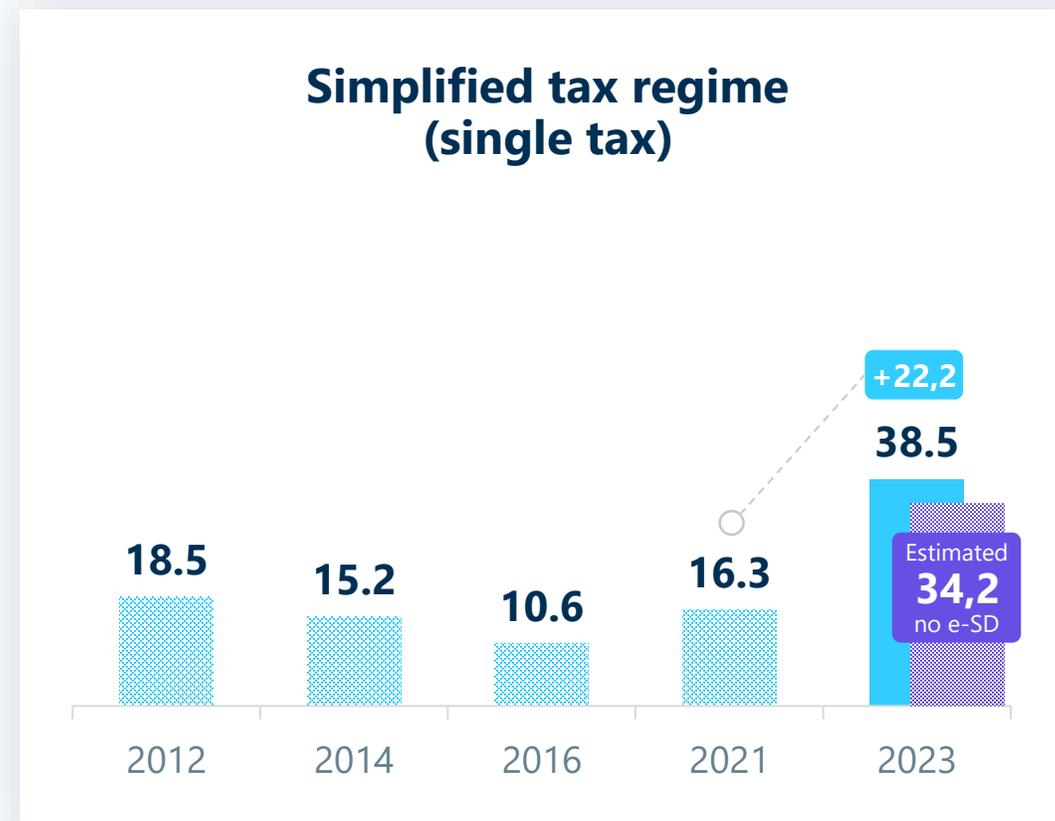
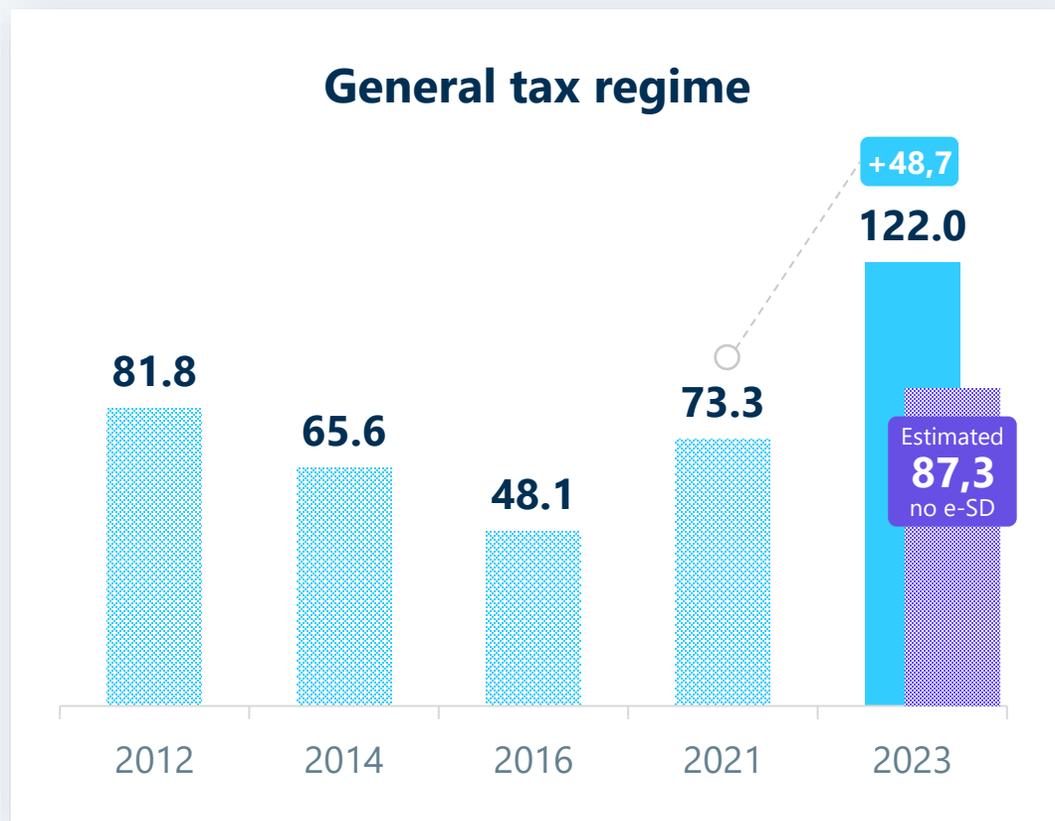
The introduction of the new tax code has dramatically increased the burden on businesses in terms of time spent on tax accounting



TIME COSTS ARE IN WORKING DAYS PER YEAR

Time cost of tax accounting 2/3

The workload has increased for all tax regimes, with time costs more than doubling for those working under the simplified regime

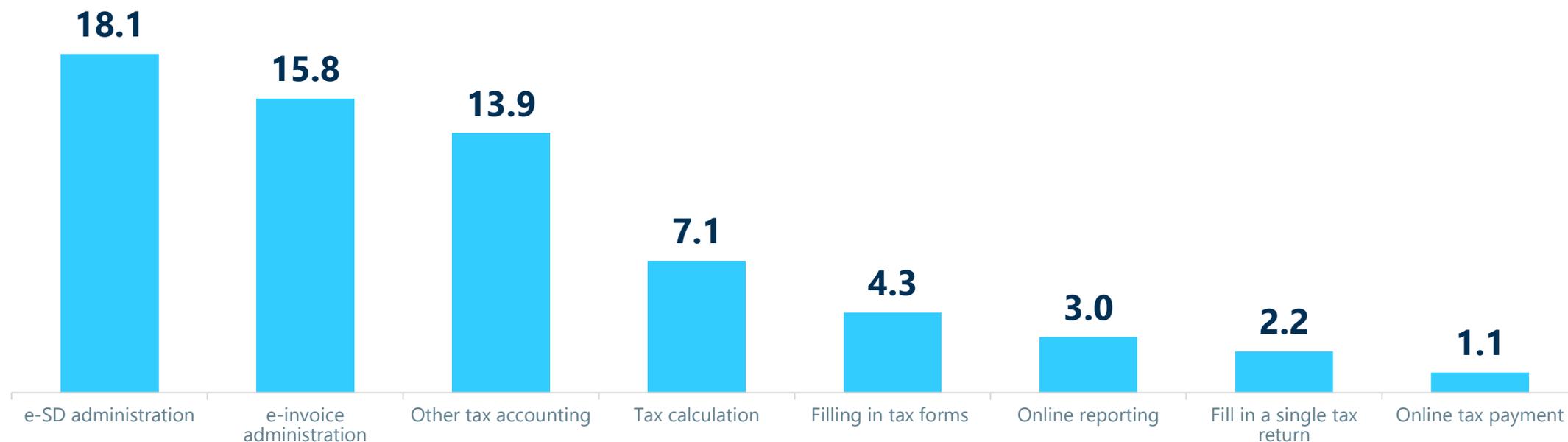


TIME COSTS ARE IN WORKING DAYS PER YEAR

Time cost of tax accounting 3/3

The administration of the electronic shipping documents (e-SD) has become the new and most time-consuming component of tax accounting work in 2023

Distribution of time spent on tax accounting in the office by type of work in 2023

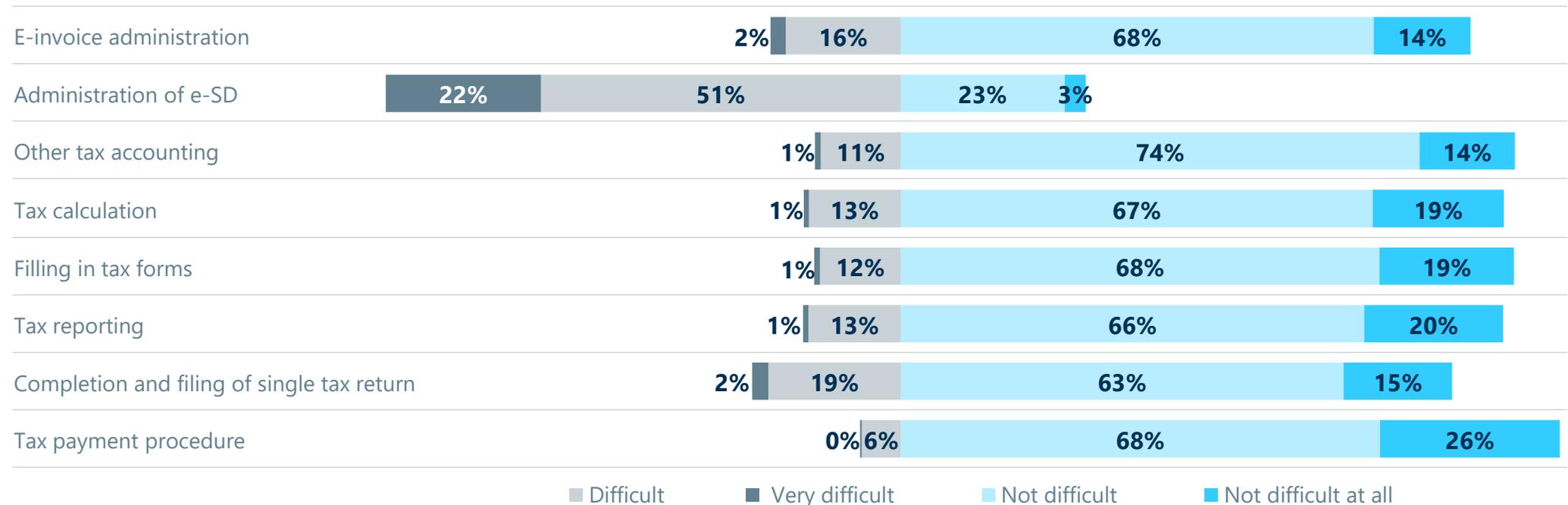


TIME COSTS ARE IN WORKING DAYS PER YEAR

Complexity of the stages

Three-quarters of taxpayers surveyed found the e-SD difficult to administer

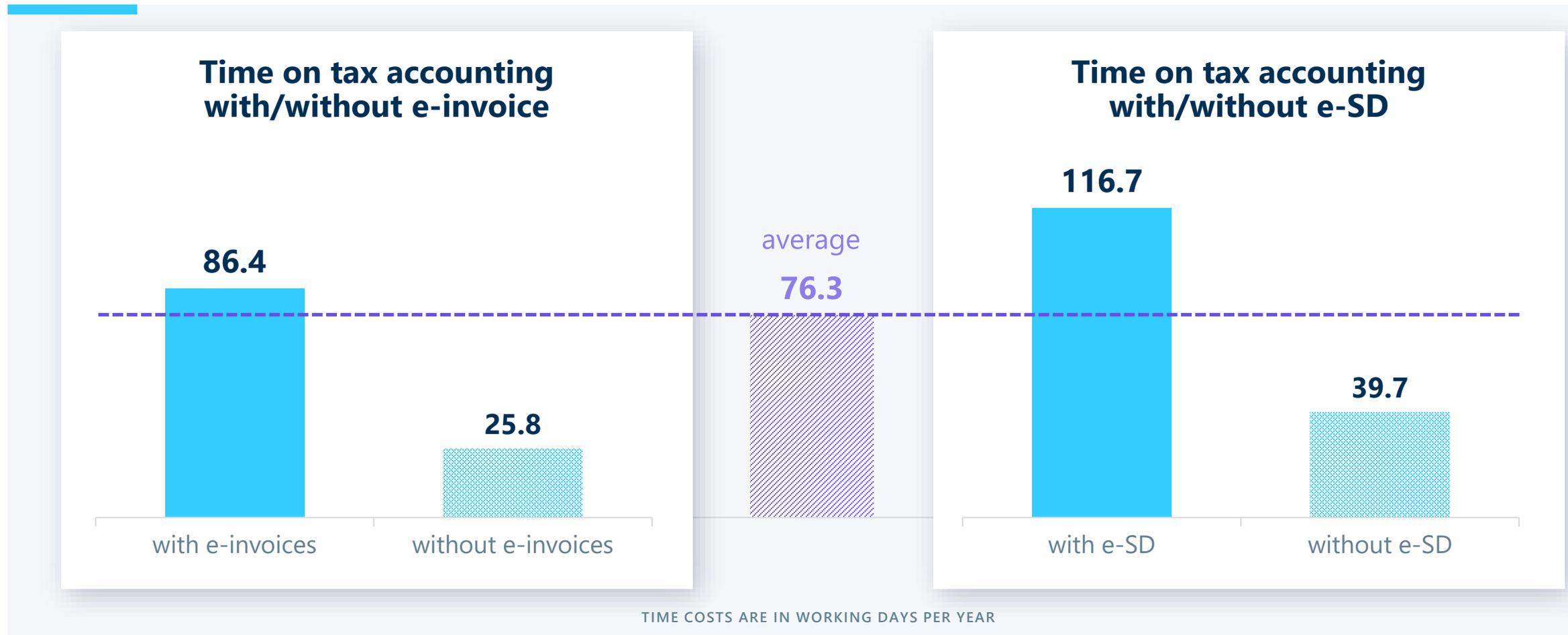
Estimated complexity of types of tax accounting work in 2023



THE GRAPH SHOWS THE PERCENTAGE OF RESPONDENTS CHOOSING EACH SCALE OPTION (OF THOSE WHO PASSED THE STAGE)

E-invoice and e-SD administration 1/2

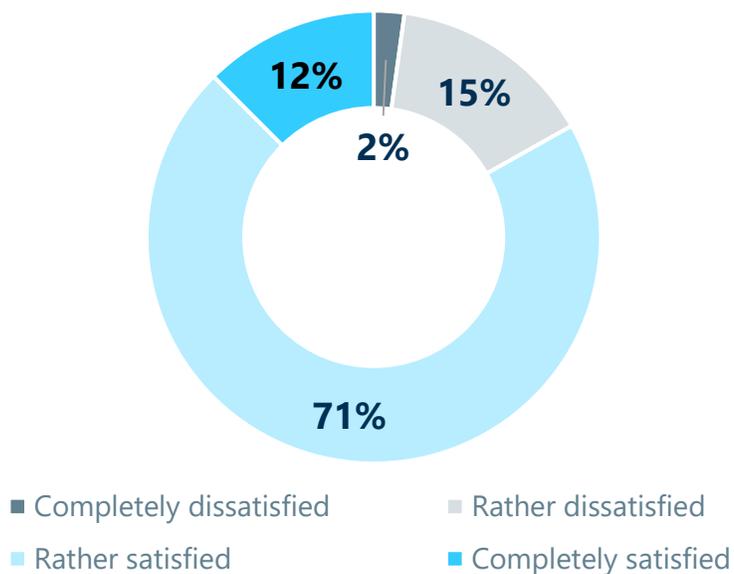
Administration of e-invoices and e-SD significantly increases the burden on business in terms of time spent on tax accounting



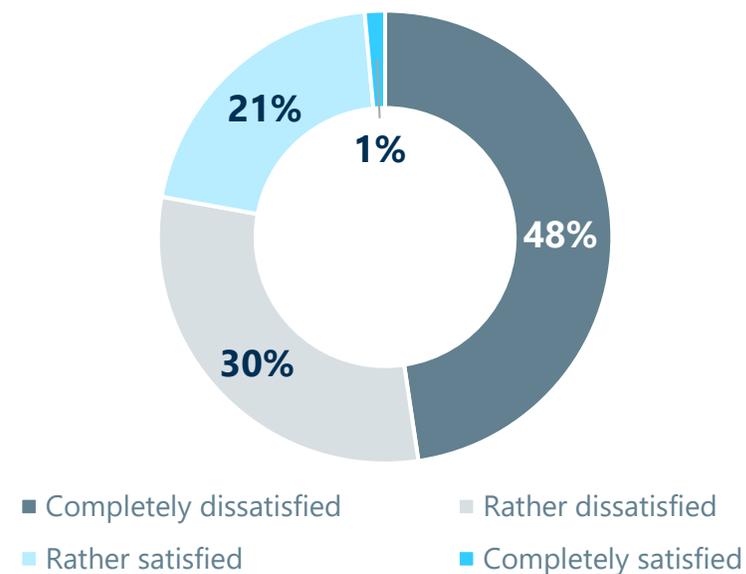
E-invoice and e-SD administration 2/2

Despite the time cost, businesses are considerably more dissatisfied with the administration of e-SD than with the e-invoices

Satisfaction with the impact of the e-invoice on tax administration activities



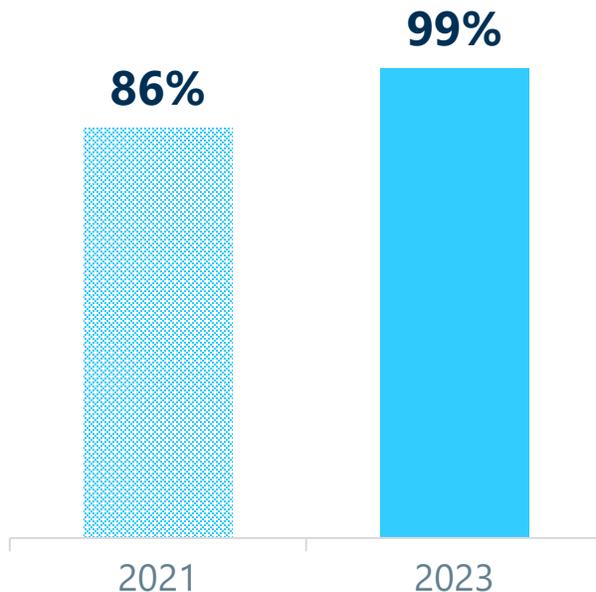
Satisfaction with the impact of the e-SD on tax administration activities



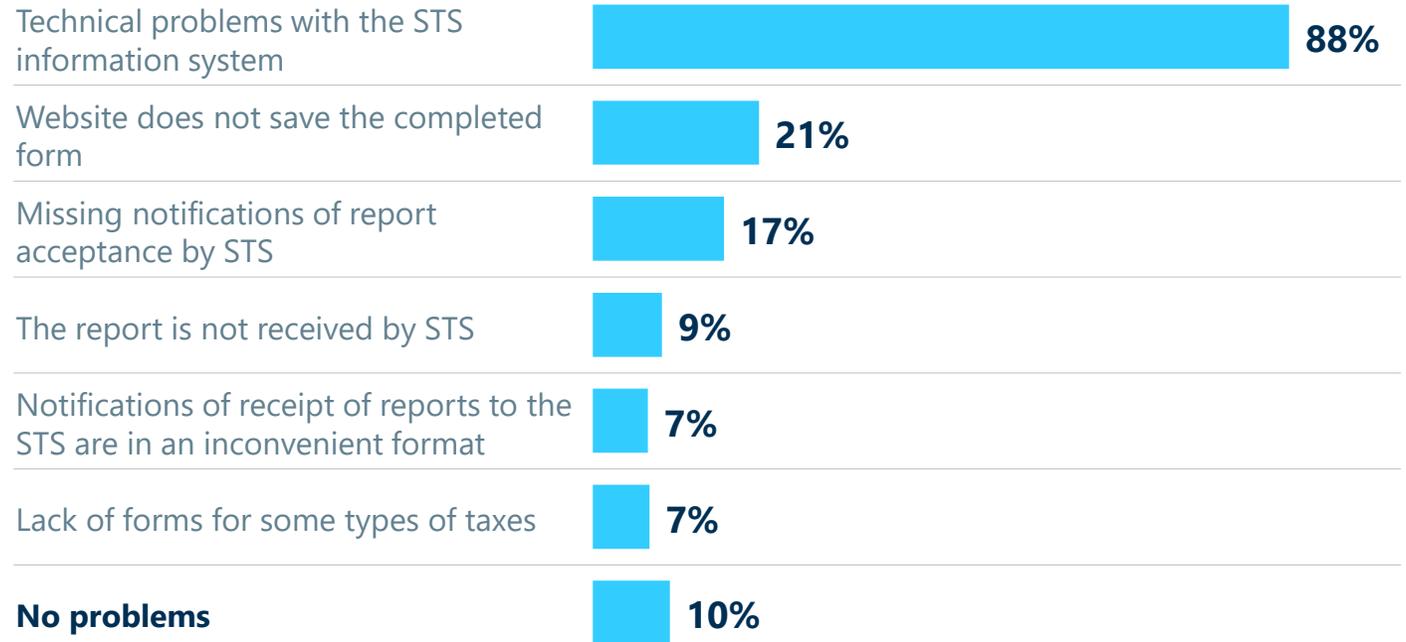
Filing tax returns

With almost full coverage of e-services for filing reports, most have encountered technical problems

Share of companies filing tax returns online



Challenges for online reporting in 2023

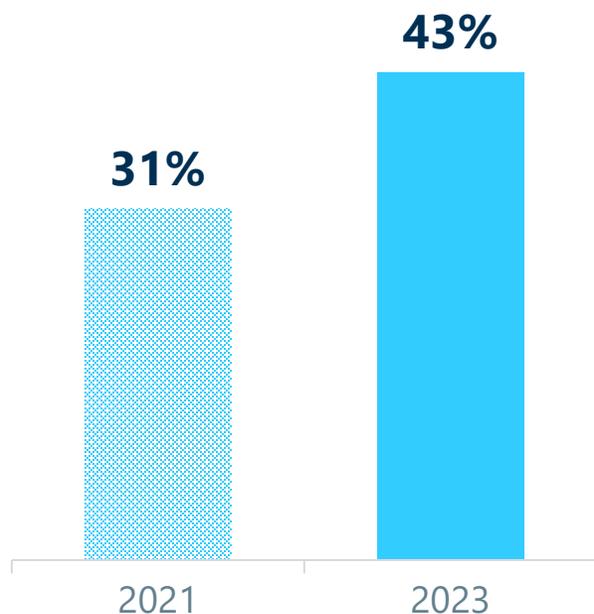


THE GRAPH SHOWS THE PERCENTAGE OF RESPONDENTS CHOOSING AN ANSWER OPTION. IT WAS POSSIBLE TO SELECT MORE THAN ONE OPTION

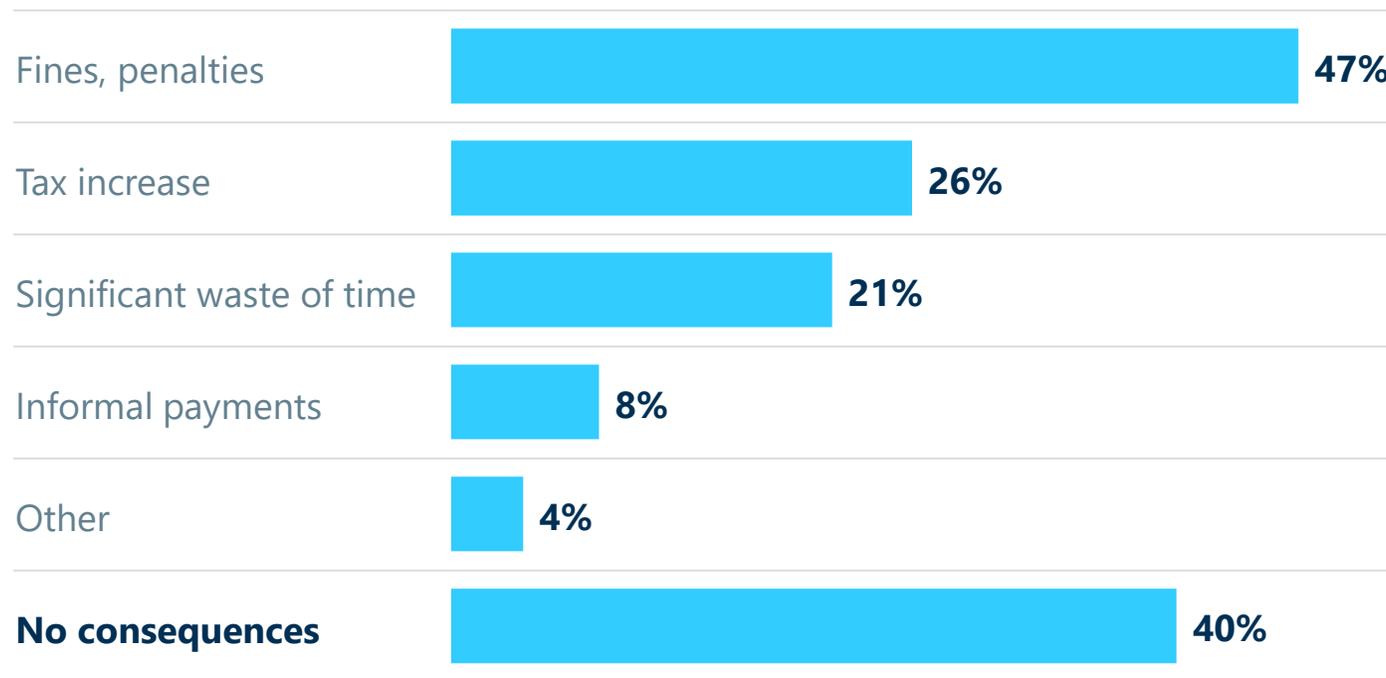
Tax inspections

While the tax compliance burden on business is increasing, the coverage of tax inspections is also increasing

Share of companies inspected by the tax authorities



Results of the last tax inspection in 2023

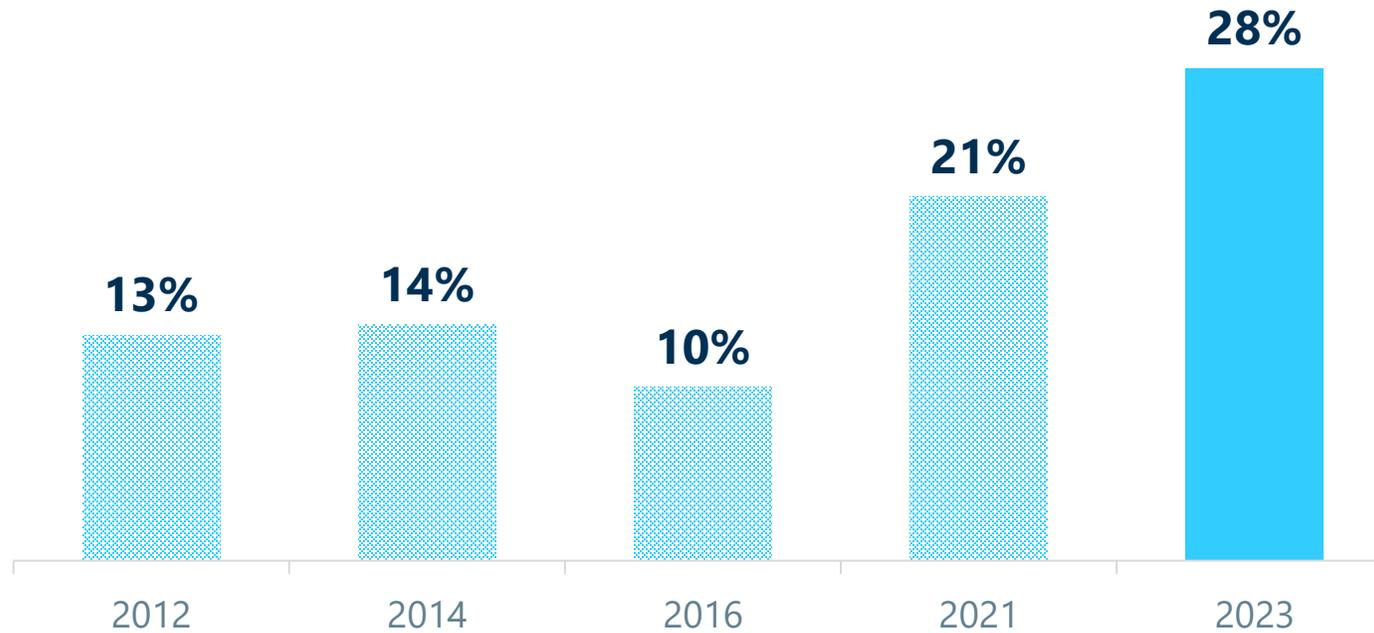


THE GRAPH SHOWS THE PERCENTAGE OF RESPONDENTS CHOOSING AN ANSWER OPTION (OF THOSE WHO WERE INSPECTED). IT WAS POSSIBLE TO SELECT MORE THAN ONE OPTION

Outsourcing

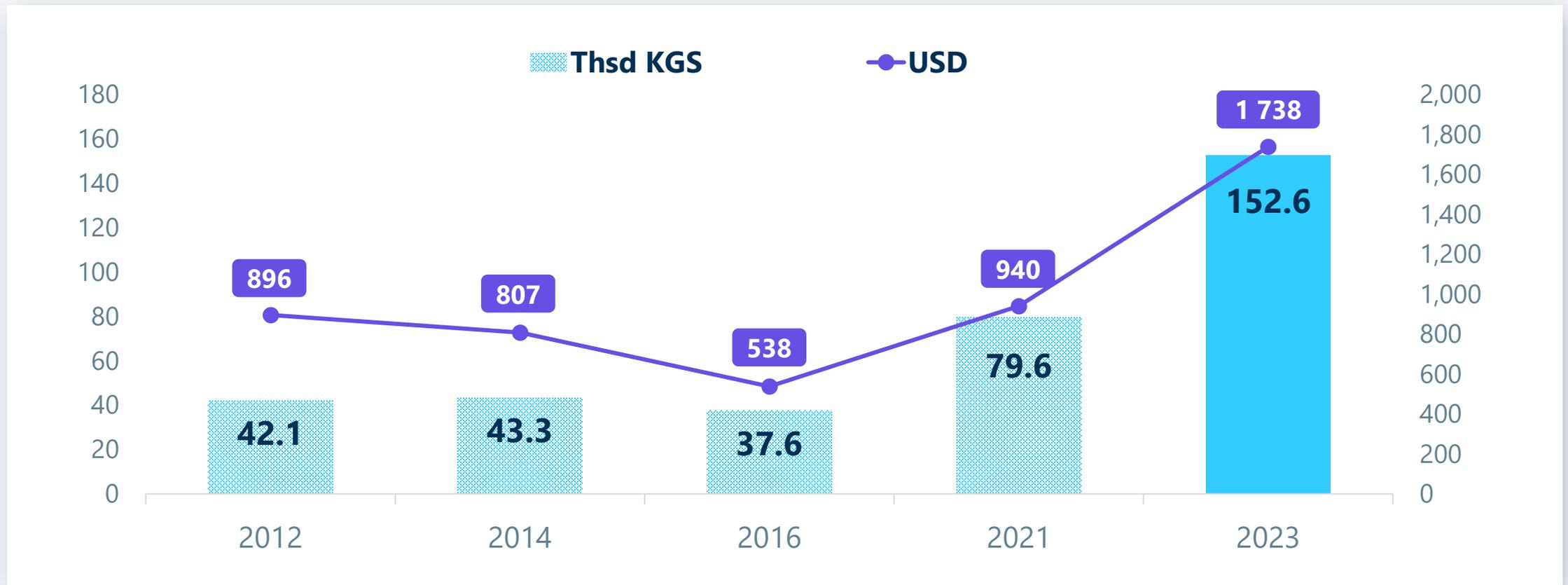
The growing demand for professional tax accounting outsourcing services persisted in 2023

Share of companies that outsource all or part of their tax accounting



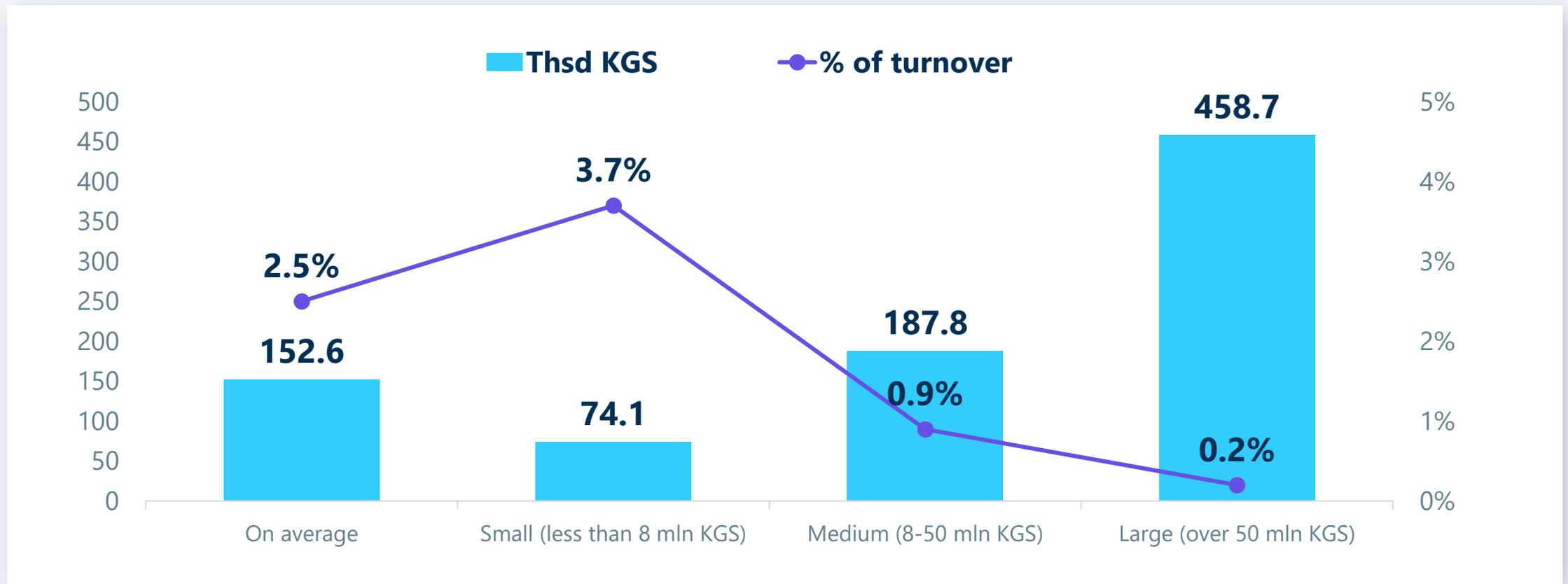
Financial costs ^{1/2}

The increase in time costs has led to a rapid increase in the financial burden on businesses in terms of tax accounting



Financial costs 2/2

Relative costs of tax accounting are regressive – the smaller the business, the greater the burden



Key takeaways

Introduction of e-services is a positive trend, and initial increase in cost of compliance could be partially attributed to learning curve for businesses as well as STS.

Moreover, e-services are making it harder for taxpayers to engage in gray economy practices, bringing more business activities and revenues into the open.

However, changes are frequent, and numerous modernization efforts in recent years were not well prepared, both in terms of IT infrastructure to facilitate compliance and outreach campaign to explain changes to taxpayers.

These issues are compounded by persistent institutional problems identified by taxpayers, including frequent changes in tax legislation, conflicting regulations, and difficulties obtaining clear and binding advice from tax authorities

Despite the increased administrative burden, the proportion of businesses that see advantages in paying taxes has grown from 30 percent in 2021 to 46 percent in 2023.

Decrease in the use of tax reduction manipulations, may be seen as early results of improved compliance transparency, increase in tax literacy of taxpayers and better understanding of the benefits associated with paying taxes.

Thank you for your attention!