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Tajikistan Business Enabling Environment- SME Policy Project Press Review - Issue #64

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IFC PRESS REVIEW

1. News directly connected to SME Project

WHAT IS OBSTACLE FOR ENTREPRENEURSHIP DEVELOPMENT?

DUSHANBE, November 15, Tojikiston - State inspecting bodies continue saying that entrepreneurs avoid paying taxes. ...Why is private sector which is main source of tax collection not paying taxes in accordance with Tax Code.

There are three assumptions:

- 1) Entrepreneurs do not know Tax Code very well.
- 2) If they pay taxes as required by tax legislation, they will face depression, so they prefer evade from taxes.
- 3) They want to increase their profit.

...It should be mentioned that sometimes tax inspectors are looking at us as for swindlers and tax evaders. In other words while conducting inspections violations of legislation. There are many cases when they initiate another inspection right after the first inspection is completed. The only purpose – to find violation and they (inspectors) do not finish inspection until they find a mistake. We have the only choice but to create a 'mistake' in order to satisfy them.

...Recently, Agency on state financial control and anticorruption announced the list of large enterprises that are avoiding taxes. ... How these enterprises can hide their taxes? As mentioned, one hand washes another and of course, this is achieved not without support of tax inspectors.

..In addition, Tax Code is very complicated.

... The role of awareness raising activities is extremely important. As it can be observed, most of entrepreneurs do not know their rights. Awareness raising activities through mass media should be widely implemented. And practice

shows that international organizations make a significant contribution to this field. For instance, International Finance Corporation is conducting wide awareness raising campaign on informing entrepreneurs about their rights. With IFC support a set of TV spots have been broadcasted on national TV which is a first step in increasing awareness of entrepreneurs.

2. News interesting for Business Environment

COMPUTERIZATION OF TAXPAYERS' ACCOUNTING SYSTEM IS QUITE IMPORTANT

DUSHANBE, 16 November, Arguments and Facts - In his interview B. Kamarov is suggesting an interesting way of individual entrepreneurs' social tax payment, which is based on the transparent income accounting. Unfortunately, the real situation of physical persons' and individual entrepreneurs' accounting system, liable for taxation, does not fully allow affirming their authenticity in view of the high level of money turnover.

When comparing the taxation rates of Tajikistan with taxation rates of other countries, including Kazakhstan, it is important to remember about the possibility of tax administration, as well as the presence of oil-gas fields, oil and gas price increase, which have been making the most part of the country's profit for a long time. And we need enough resources for realization of socioeconomic measures, foreseen by the government, which means that wages and pensions should be scaled up, the Hydro-Power Station should be and roads constructed.

Another argument of the expert is connected with decrease in taxation rates, which, according to his words, will increase the budget income and will make a business environment more transparent. This conclusion is a simplified one, as the hidden economy is a big problem. Even in such a developed country as Italy, according to the data we have, the level of the hidden economy is estimated from 20% to 60% of the country's GDP.

TAXES: REFORMS ARE HINDERING BY IMPERFECT POLICY

DUSHANBE, 16 November, Arguments and Facts - Weak and imperfect tax policy continue to be a brake for economy development that in particular notably in private sector sphere

Arithmetic of tax avoiding

..The rate of this tax (social tax) is very high and unacceptable among other taxes, and after all, entrepreneurs hiring employees should pay social tax at the 25% rate from total sum of salary of employees. ... For instance, if salary of employee is 200 somoni, the entrepreneurs pays 50 somoni and in addition, 21,14 somoni is charging from the employee. In total – 71,14 somoni. Also, with salary increasing, taxes increase and especially personal income tax – from 8% to 13%. That is why, most of entrepreneurs indicate salary of employee under 50-150 somoni, in fact paying 400 somoni and more. We propose (Bahor Kamarov, expert of Strategic Researches Center under President of Tajikistan) instead of current rate of 20% from declared income of entrepreneurs to introduce 14% social tax rate from net income of entrepreneurs as follows:

- 10,000 somoni -14%;
- From 10,000 to 30,000 somoni -1,400 somoni + 12% from the sum exceeding 10,000 somoni
- More than 30,000 somoni -3,800 somoni + 10% from the sum exceeding 30,000 somoni.

... Personal income tax fixed by Article 141, Tax Code, in our view, negatively affects the private business, having not only high rate but also ineffective order of charging.

It is required, on the contrary to put the condition – with the increasing of profit or salary, taxes should be decreased and fix low and acceptable taxes that can be interesting not only for local entrepreneurs but also foreign investors as it was done in Kazakhstan. Their personal income tax from the profit of the entrepreneur and salary of his employee is fixed as 10% rate. With the increasing of number of employees and salary, there are benefits both for entrepreneurs and employee. The same rules are in Russia.

WITH INTRODUCTION OF CPP MODEL OUTGOING CALL FROM FIXED-LINE PHONE WILL COST 16.5 DIRAMS PER MIN

DUSHANBE, November 16, Asia-Plus - With introduction of the CPP (Calling Party Pays) model outgoing call from fixed-line phones of open joint stock company (OKSC) Tojik Telecom (Tajikistan's fixed-line telecommunications) network to other operators of electric coupling and mobile phones will cost 16.5 dirams per minute, Asia-Plus has learned at press service of the Ministry of Economic Development and Trade (MoEDT). Incoming calls from all operators, irrespective of forms of property, will be free of charge.

Calling Party Pays (CPP) is the arrangement in which the mobile subscriber does not pay for incoming calls. Instead, the calling party pays for those calls.

Call rate within the Tojik Telecom network will remain the same – 2 dirams per minute. As it had been reported earlier the CPP model will be introduced in Tajikistan beginning on December 1, 2007.

We will recall that speaking to journalists on September 29, 2007, Ghafur Irkayev, the head of the Association of Cellular Operators of Tajikistan (ACOT), said that at first they supposed to introduce the CPP model on January 1, 2008 but then decided to bring introduction of the model forward. According to him, the CCP model provides for increase in prices of fixed-line telecommunications and they decided to introduce it earlier, on December 1 this year, in order that it would not be sudden and could not effect budget forming.

According to protocol of the interagency commission, operators will pay each other for the internetworking connection at the rate of 11.5 dirams per minute (including VAT).

Jaffar Rustamov, an official with Tojik Telecom, said on September 29 that present prices of one minute of conversation between cellular operators and Tojik Telecom fluctuate from 16 to 17 dirams.

INTERIOR MINISTER TO CONTROL INVESTIGATION INTO WEDNESDAY'S BLAST IN TAJIK CAPITAL

DUSHANBE, November 15, Asia-Plus - Minister of Interiors Mahmadvazar Solehov, who was accompanying President Rahmon on his visit to Sughd, yesterday returned to Dushanbe in connection with today morning's blast outside the Kokhi Vahdat State Complex, according to the Ministry of Interior (Mol).

A high-ranking officer with a Mol told Asia-Plus the minister is to control investigation into the incident. According to him, the head of the State Committee for National Security Khairiddin Abdurahimov, who is responsible for providing security of the president during festivities in Sughd to mark the 15th anniversary of the restoration of constitutional order in the country, remained in Khujand. "As far as the president is concerned, he is not going to break off its visit to Sughd," the source said.

Asked about capacity of the explosive device, the source said the explosive device's capacity equaled some 500 grams of TNT.

We will recall that the explosion occurred in the rear yard of the Kokhi Vahdat State Complex today morning, at around 8:10 a.m. The blast was quite powerful that it blew out the windows of Kokhi Vahdat complex.

The source at the Ministry of Interior told Asia-Plus that the explosion had occurred when the Kokhi Vahdat guard picked up a plastic bag outside the Kokhi Vahdat. The guard was killed by the explosion.

The Kokhi Vahdat State Complex is usually used for holding various government ceremonial events and international conference. Today morning, it should have hosted a regional consultative meeting on disaster risk reduction in Central Asia staged by the European Commission. In connection with the blast the conference was adjourned to 3:00 .m.

The Dushanbe prosecutor Qurbonali Muhabbatov said that the explosion was a terrorist act and the country's law enforcement agencies have launched an investigation under a corresponding article of the Criminal Code.

TAJIK FM LEAVES FOR BERLIN TO ATTEND CONFERENCE ON EU-CENTRAL ASIA ECONOMIC PARTNERSHIP

DUSHANBE, November 13, Asia-Plus - Tajik Foreign Minister Hamrokhon Zarifi has left for Berlin to attend a conference formally titled "Central Asia and Europe:: New Economic Partnership for the 21st Century", which opened there today, according to Tajik Ministry of Foreign Affairs (MFA).

The conference is co-organized by the Government of Germany and the United Nations Economic Commission for Europe (UNECE).

The source at a MFA said that Zarifi will deliver a paper at the conference and hold a series of bilateral meetings on sidelines of the conference. He, in particular is scheduled to hold talks with German Federal Foreign Minister Dr Frank-Walter Steinmeier, EU Commissioner for External Relations and European Neighborhood Benita Ferrero-Waldner and His Highness the Aga Khan, Imam (Spiritual Leader) of the Shia Imami Ismaili Muslims.

We will recall that through its new Strategy for Central Asia and the Commission's assistance program for the period of 2007-2013, the European Union (EU) defines the priorities for its cooperation with each Central Asian state according to its specific needs, requirements and performance, including human rights, good governance, democracy and social development. Within the new external assistance instruments based on the EU-budget 2007-2013 the EU has planned to double the financial means for assisting Central Asian States. Building upon and complementing the Commission's assistance program, Member States of the EU are prepared to study specific bilateral partnership and twinning programs with individual Central Asian States as well as programs with a regional dimension based on an adequate and coordinated needs-assessment. Member States will support the Community's programs to contribute to a more coherent and visible EU policy in the region.

TAJIK INSURANCE COMPANIES NOT YET READY TO JOIN EAEC COMMON INSURANCE MARKET

DUSHANBE, November 12, Asia-Plus - member nations of the Eurasian Economic Community (EAEC) intend to create a common insurance market. The source at the Tajik state service for insurance supervision at the Ministry of Finance (MoF) told Asia-Plus that the EAEC heads of state are supposed to sign a document on creation of the common insurance market next spring. "Under this protocol the EAEC member nations will have to bring their domestic insurance standards into compliance with international standards," said the Asia-Plus interlocutor, "After that, any properly registered insurance company will have the right of getting on market of this integration union and work under common standards."

Under this document the minimum authorized capital stock of insurance company should be not less than 2 million euros. Meanwhile, the minimum capital requirements for insurance companies in Tajikistan are only 100,000 somonis (equivalent to 19,780 euros).

"Unfortunately, our companies are not able to increase their capitals to comply with the EAEC's minimum capital requirements. We are currently working at this subject," said the source, "There are many nuances and there ought to seek solution to this problem. Some other countries like Armenian and Kyrgyzstan have also been confronted with the same difficulties. Therefore, it is still premature to speak about signing of this document by Tajikistan."

Acting director of joint-stock company Orien Insurance Iskandar Sharipov has also shared the state service for insurance supervision official's views, stressing that no one of Tajik insurance companies is ready to meet the mentioned requirements. "Our insurance companies are not yet well-placed and cannot compete with insurance companies of Russia or other more developed member nations of the Community," the Orien Insurance top manager said.

In the meantime, a total authorized capital stock of Tajik insurance companies in April 2007 amounted to more than 10.4 million somonis (equivalent to more than 2.057 million euros), figures provided by the State Committee for Statistics said.

Tajikistan's largest insurance companies are: Investsgosstrakh (3.5 million somonis); Orien Insurance (3.3 million somonis) and the state-controlled insurance company Tojiksughurta (6.9 million somonis). Over the first nine months of this year, all insurers operating in Tajikistan have received premiums (the periodic payment made on an insurance policy) totaling 88 million somonis. While the amount of insurance coverage for the report period has totaled 4 million somonis.

ALMOST 150,000 IMMIGRANTS FROM TAJIKISTAN WORK IN MOSCOW

DUSHANBE, November 13, Asia-Plus–Ferghana.ru - Communal services in Moscow thrive on the use of cheap labor of illegal immigrants colloquially known as guest workers. According to calculations offered in Izvestia, street sweepers from Tajikistan alone "earn" upper echelons of Moscow communal services nearly 300 million rubles every month. Throughout all of Moscow, employment of immigrants earns communal services 78 billion rubles annually, Ferghana.ru said.

"There are 150,000 labor immigrants from Tajikistan alone in Moscow at this point. This figure includes 48,000 Tajik car-washers. Add here between 3,000 and 10,000 immigrants living and working at each storage facility and marketplace in Moscow and marketplaces alone number two dozen. Plus about 100,000 more build mansions - and guard them - on Rublevskoye Shosse," Tajiks People's League President Karomat Sharipov said. Sharipov is convinced that 90% of the Tajiks in Moscow are illegal immigrants.

"Nearly 70% of them are illiterate and this is where their problems are rooted," Sharipov explained. "These people cannot read or write - even in their native tongue. Even registration poses a serious problem for them, regardless of how easy or difficult the procedure may be."

The situation may be ameliorated but it will take some effort on the part of Tajikistan and Mayor of Moscow Luzhkov's goodwill. Establishment of several offices of human rights organizations in Moscow immigrants could approach for assistance in filling out documents for registration would have helped matters greatly.



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

With best wishes,
Tajikistan SME Public Relations/Communication Department