

# Tajikistan Business Enabling Environment/ SME Policy Project Press Review - Issue #46

Dushanbe, 13 July 2007

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IFC PRESS REVIEW

## 1. News directly connected to SME Project

### ANALYSIS AND CONTINUATION GO ON

**DUSHANBE, 4 July** , "Boju Hiroj", Newspaper of Tax Committee of Tajikistan - The seminar-conference "Tax Administration Development during Independence Period of Tajikistan" was held at the conference hall of Tax Committee on 22 June 2007 with participation of tax officials, entrepreneurs, and international finance organizations.

Deputy Chairman of the Tax Committee, Mr. H.Ahmadov, opened the Conference briefly speaking about the reasons for introducing the changes to the taxation system in Tajikistan, studying problems and development tasks of the tax administration, discussing tax officials' cooperation with entrepreneurs.

Deputy Chairman of the Tax Committee, Mr. B.Sultonov made a speech on development of tax legislation in Tajikistan. He noted that current taxation system related issues are under society's control. Transition from former tax system to market economy is one of important instruments of state control under the current economic life and methods of management at organizations and citizens.

State Advisor of the President of Tajikistan Mr. O. Huseinov said that tax policy is very important and delicate... Tax system during independence of Tajikistan is developed according to the global market changes and under economic reforms implementing by the Government of Tajikistan. In general, experience shows that tax legislation is subject to amendments not only in Tajikistan but also in other countries of the world... However it should be noted that adoption of a new law is only the beginning of action, while the most important thing is its implementation.

Andrea Dall'Olio, IFC Project Manager noted that for the past six year tax revenues have increased significantly and the share of SME is 25% (1/4) from overall tax revenue, which is a very small amount.

Based on analysis, Tajikistan ranks at 154th place out of 175 countries of the world in terms of easiness of tax system (WB findings).

Mr. Luc Moers had also participated at the conference and first of all he expressed his gratitude for being invited to the conference. He noted in spite of the fact that tax revenues in Tajikistan are increasing from year to year; in comparison with other countries the revenue is still low. He is sure good results can be brought if required instructions and manuals for entrepreneurs and tax inspectors are added to the new Tax Code.

On 'Innovations in tax inspections and other control forms' Mr. Mahmaddulloev D.H., Head of Tax Supervision Arrangement said that tax inspection is inspection of proper execution of the Tax Code, held by tax officials. He also spoke about tax inspection types, duration and terms, calculation of inspections and taxes revenues.

Mr. A. Soliev, Head of tax payers registration, taxes, analysis and current expenditures department also made a speech. He noted that before tax officials start tax collection they should pay attention to one of the most important conditions – registration of entrepreneurs and their activity. Legal entities should be registered at the place of their activity and individuals – at their residence.

Entrepreneurs M. T. Uljaboeva, S. Rahimova and others participated at the conference –seminar, discussed the existing problems and ways to solve them.

Seminar-conference was very fruitful and useful.

Shodi Safari

## 2. News interesting for Business Environment

### WHOSE FAULT: TAX PAYERS` OR TAX OFFICIALS` ?

**DUSHANBE, July 12, 'Vecherniy Dushanbe'** - The inspection on obedience to Tax Code of Tajikistan requirements, held by the City Prosecutor's Office revealed negligence of tax bodies in attracting citizen to payment of taxes for real estate rent on regular basis. The Tax and Customs Supervision Department Prosecutor Umed Pulodov spoke about the results of this inspection.

- The inspection was based on the financial reports of 2005-2006 in a number of addresses in the downtown... Our aim is to control execution of tax legislation by city tax bodies, revenue to the budget from rental tax, and also to explain to entrepreneurs their rights and responsibilities.

As it turned out, no awareness activities are conducted to tax payers. Thus it was us – employees of the Prosecutor Office – who had to go to houses and explain the landlords what their direct responsibilities before the State are.

.... According to Point 4, Article 15, of the Tax Code of RT, granting real estate on lease is not considered entrepreneurship type of activity if such activity is not systematic and usual activity of an individual.

.....However, in spite of logic and the law, our tax bodies issue certificate of entrepreneurship to lessors and indicate their activity type as property rental, which is not correct.

...In other words, tax bodies of Dushanbe artificially increased the number of entrepreneurs working under patent by illegally issuing patents for activity, which is not connected to entrepreneurship.

....We revealed negligence of tax bodies to attract citizens to paying rental taxes of their own houses and premises on a regular basis. It also turned out that the city tax bodies do not have a unified registration of legal entities and individuals, involved in real estate rental. In short, work in this direction was let to run itself. As it turned out, many entrepreneurs do not know that should pay tax from renting their own property and submit income declaration.

Galina Dzutseva

## **SOME 150 RESIDENTS OF TAJIK CAPITAL PLACED IN JOBS IN RUSSIA**

**DUSHANBE, July 11, Asia-plus** - Some 150 residents of Dushanbe have been placed in jobs in the Russian Federation through the Dushanbe main directorate of the State Agency for Migration and Social Protection of the Population, the Dushanbe directorate head Mahmadali Jabborov said.

According to him, Russian employers are considering another 100 applications and more than 400 other applications are currently being considered by the State Agency for Migration and Social Protection of the Population.

"The majority of those 150 labor migrants have been placed in jobs in Moscow, Mineralniye Vody and Yekaterinburg," said Jabborov, "They are working as taxi and bus drivers as well as builders on the contractual basis."

According to him, their average monthly wages fluctuate from 22,000 to 30,000 Russian rubles. He added that on arrival in the place of job, labor migrant should have 5,000 Russian rubles to pay for medical and social insurance.

"We have to date received applications from a construction company from Russia's Tyumen region," said Jabborov, "They need 40 bricklayers. Besides, Mineralniye Vody needs 30 taxi drivers"

## **AFGHANISTAN TO GAIN DEBT RELIEF**

**DUSHANBE, July 11, Asia-Plus** – BBC News - Afghanistan has made sufficient steps in improving its economy to qualify for debt relief, the World Bank and International Monetary Fund have said.

Under the Heavily Indebted Poor Countries Initiative, Afghanistan will now have its net public and private debt payments cut by 51%.

The World Bank said that the move would free up extra funds for healthcare, education and other essential services.

Afghanistan's total overseas debt stood at \$11.9bn (J5.9bn) last year.

"Afghanistan's authorities are building a credible track record for implementing economic governance reforms," said the World Bank's director for the country, Alastair McKechnie. "Debt relief will support national reformers to sustain and deepen this record."

Afghanistan becomes the 31st country to qualify for the Heavily Indebted Poor Countries Initiative. Most of the others are in sub-Saharan Africa.

## **ADB'S PROGRAM FOR TAJIKISTAN STRESSES RURAL DEVELOPMENT AND REGIONAL COOPERATION**

**DUSHANBE, July 10, Asia-Plus** - The Asian Development Bank (ADB) plans a US\$192.1 million loan and grant program for Tajikistan in the next three years to help develop the country's rural infrastructure, promote regional cooperation, and implement policy reforms in the agriculture, energy, transport and social sectors, according to the Tajikistan Country Operations Business Plan (COBP) for 2007-2009 recently endorsed by the ADB.

According to ADB Dushanbe Office, the assistance level for 2007 is expected to be around \$74.1 million. This would be followed by anticipated assistance levels of about \$63 million and \$55 million in 2008 and in 2009, respectively. However, the final amounts will depend on the country's performance and availability of ADB's funds.

The proposed lending program for 2007 includes the Rural Development Project, PRC–Kyrgyz Republic–Tajikistan Regional Road Corridor Project, and the Khatlon Province Flood Management and Rehabilitation Project.

Complementing the loan and grant program will be a technical assistance program amounting to a total of \$6.36 million for 2007-2008. Besides project preparation and capacity building, the technical assistance grants will support the implementation of the Government's private sector development strategy, preparing the transport sector master plan, and carry out diagnostic studies on cotton taxation reform and marketing, and electricity regulation.

ADB Country Director for Tajikistan Neeraj K. Jain said the COBP is closely aligned with the Government's development goals. "The COBP is a medium-term framework for managing cooperation between the Government of the Republic of Tajikistan and ADB to achieve national development and poverty reduction goals," he said.

As of end March 2007, ADB's cumulative assistance to Tajikistan consisted of 20 investment projects and programs for a total of \$309.107 million; 53 technical assistance projects for a total amount of \$30 million; and 5 JFPR grant projects amounting to \$9.7 million.

ADB, based in Manila, is dedicated to reducing poverty in the Asia and Pacific region through pro-poor sustainable economic growth, social development, and good governance. Established in 1966, it is owned by 67 members – 48

from the region. In 2006, it approved loans and grants for projects totaling \$8.5 billion, and technical assistance amounting to almost \$242 million.

## **CHINA'S GOLD PRODUCER TO BUY 75 PERCENT OF THE SHARES IN ZGC**

**DUSHANBE, July 10, Asia-Plus** - Zijin Mining Group Co., Ltd, a Chinese leading gold and base metal producer, intends to buy a 75 percent ownership interest of British company in the Tajik-British joint venture Zeravshan (Zeravshan Gold Company or ZGC), Asia-Plus has learned from Deputy Energy and Industries Minister, Mahmadsarif Haqdodov.

According to him, in the beginning of this year, Commonwealth & British Mineral Ltd decided to sell its share in ZGC. "They justified the decision by saying that they failed to arrange the enterprise's activity properly and therefore they incurred considerable losses," the deputy minister said, adding that representatives from Zijin Mining Group Co. expressed intention to invest some 100 million US dollars in development of ZGC.

"The agreement will be signed in late July," Said Haqdodov, "The Chinese company will develop the Taror deposit."

Zijin Mining Group Co., Ltd is listed on the Hong Kong Stock Exchange under the stock code of 2899. In 2005, its gold production ranked 20th among global gold producers with a yield of 20.96 tons (according to website [www.goldsheetlinks.com/ptable.htm](http://www.goldsheetlinks.com/ptable.htm)). Since December 20th 2005, Zijin Mining has been included in the FTSE mine index. On March 20th 2006, Zijin entered into the Dow Jones Offshore 50 Index.

The group is principally engaged in the exploration of gold, copper and the other non-ferrous metals. Zijinshan Gold Mine, the core enterprise of Zijin Group, has been developed into a single metal mine with largest usable gold reserves. The Gold Refinery of the Group is one of the first qualified gold refineries recognized by the Shanghai Gold Exchange, and is included in the Gold Delivery List of the London Bullion Metal Association (LBMA), demonstrating its capability of producing standard gold bullions and bars. The gold is entitled to use the logo of "the product implementing international standard".

UK's Avocet Mining PLC (Avocet) owns 75 percent of the shares and the Tajik government assumes the 25% ownership interest in ZGC. The main product of ZGC is gold-silver Dore alloy, which is refining at affnager plant in Tajikistan with producing of chemically pure gold and silver (99.99 and 99.95 alloys respectively).

ZGC was launched as a joint venture with Nelson Resources Ltd (44%) and the Tajikistan government (51%) and the IFC (5%) in 1994. In September 2002, Avocet signed a heads of agreement to acquire the Tajik gold assets of Toronto-based Nelson Resources Ltd held through Nelson's subsidiary, Commonwealth and British Minerals Ltd. The assets included a 44% interest in Zeravshan Gold. In November 2004, Avocet increased its equity interest in ZGC from 49% to 75%.

## **WHO WILL BENEFIT FROM LICENSE?**

**DUSHANBE, JULY 10, 'Jumhuriyat'** - I was charged 30 Somoni as fine for not having a individual entrepreneur license on the road from Vose district to Dangara. In fact, absence of a license has become a problem for many drivers lately. Not everybody can afford to pay 500 somoni for a 5-year-valid license. Neither can I afford it. Actually, entrepreneurs should have the right to choose their license validity duration, for instance, from 3 months up to 5 years. Currently most of entrepreneurs have no licenses at all. It is easier to pay the 15-20 somoni fine or "tip" than to pay the "tooth-breaking" price of the license. This, of course, is to the benefit of some individuals, but at the end it is a loss for the state.

...Everybody knows that 60% of the population lives in poverty. Majority of them are working to get bread. Therefore, it is no wonder, that more than 1,000 of them are taxi drivers.

Don't licensing bodies know about these difficulties? Or is it that hard to set the duration of a license from 3 months up to 5 years,, according to the entrepreneurs will?

... In general, buying license for 500 somoni is very difficult for a driver – small entrepreneur. However, many bribe GAI (road inspector) one tenth of the price and act freely. The negative side is from one hand loss to the state budget and from the other hand increasing the number of "easy money lovers."

President of the country has repeatedly noted that record-keeping and filing of small entrepreneurship should be as easy and executable as possible.

Or do the responsible officials have another viewpoint on this issue?

Editorial: When the letter was ready to print, we found out that actually amendment to the law on licensing was adopted, according to which drivers can buy licenses valid from 1 to 5 years upon their wish. However, local authorities oblige cargo trucks to get license valid for 5 year. Officials from Ministry of Transportation have to answer that question.

A. Otashzod



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With best wishes,  
Tajikistan SME Public Relations/Communication Department