

# Doing business in Turkmenistan



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## About company

### Turkmen Expert Group

Turkmen Expert's business activity starts since the end of 90s at the stage of formation of market economy in Turkmenistan. For 25 years of professional activity, Turkmen Expert has been several times re-organized and today operates as a Group of firms under the brand name **TurkmenExpert** providing a comprehensive portfolio of audit, accountancy, tax and advisory services on the professional service market of Turkmenistan.

**TurkmenExpert's** area of expertise includes three basic service lines:

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<b>Advisory:</b>	Financial due diligence and analysis, business/investment planning and consulting, management consulting, strategic consulting, marketing research, tax consulting, accounting outsourcing, as well as commercial and corporate consulting on activities and organisation of businesses in Turkmenistan
<b>Appraisal:</b>	Professional valuation services, appraisal expertise and profile of appraisal activities
<b>Audit:</b>	Professional financial audit services and other audit related assignments (via affiliated company Turkmen expertise and audit ES).

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**TurkmenExpert** joins the qualified and experienced partners and specialists who possess international qualifications, such as: ACCA (Association of Chartered Certified Accountants, London, [www.accaglobal.com](http://www.accaglobal.com)), CAP (Certified Accountant-Practitioner, ECCAA [www.eccaa.org](http://www.eccaa.org)), RICS (Royal Institution of Chartered Surveyors, London, [www.rics.org](http://www.rics.org)), CMC (Certified Management Consultants, ICMCI, [www.cmc-global.org](http://www.cmc-global.org)), as well as members of ESOMAR ([www.esomar.org](http://www.esomar.org)) and the National public organisation of "Union of Economists of Turkmenistan", enabling them to work effectively on Turkmen market in pursuance with the professional code of conduct and ethics, and in compliance with the international professional standards.

**TurkmenExpert** has also passed the accreditation procedure of European Bank of Reconstruction and Development (EBRD, [www.ebrd.com](http://www.ebrd.com)) and has been pre-qualified to provide services for small and medium-sized businesses in Turkmenistan.

**TurkmenExpert** strives to satisfy the needs of its clients by providing professional services in the most effective and efficient way. For these purposes the Group has introduced the Integrated Management Quality and Information Security System in compliance with the international standards ISO 9001 and ISO 27001 ([www.dqs.de](http://www.dqs.de)) and self-declared for the application the requirements of ISO 20700.

## Nexia International

**TurkmenExpert** Group is a member of the “Nexia International” network (Nexia).

Nexia is a leading, global network of independent accounting and consulting firms.

When you choose a Nexia firm, you get a more responsive, more personal, partner-led service, across the world. Nexia is a highly active network that drives quality and facilitates collaboration to enable its member firms to provide effective local and global solutions. Nexia member firms deliver a partner-led service to clients which ensures continuity, expertise and a deep understanding of the client’s business. They are characterised by people who have an entrepreneurial spirit and who can relate closely to the SME and owner-managed businesses.

Nexia firms are focused on supporting local businesses as they grow and through the Nexia network, they can also help their clients confidently venture into new international markets.

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## Limitation of liability

The content of this booklet is based on data collected from the official publications, statutory acts of Turkmenistan, and from freely available information from the Internet. This booklet is intended to provide general information in a concise form. It should not be considered as a legal opinion or as a base for the calculation of tax obligations in a specific circumstance. One should always obtain professional advice prior to making business decisions related to the information stated in this booklet.

## Chapter 1 Country profile

<b>Official name</b>	Turkmenistan
<b>ISO code</b>	TM, TKM
<b>Country dialling code</b>	+993
<b>Capital</b>	Ashgabat
<b>Form of government</b>	Secular state, presidential republic
<b>Independence</b>	The country's independence was proclaimed on 27 <sup>th</sup> October 1991. Turkmenistan is the member of the UN since 2 <sup>nd</sup> March 1992. The neutrality of the country was declared on 12 <sup>th</sup> December 1995
<b>Geographical data</b>	Central Asia, the area of Turkmenistan is 491.2 thousand sq. km. Its territory stretches from west to east 1 100 km and from north to south 650km. Turkmenistan borders the Republic of Kazakhstan in the north, the Republic of Uzbekistan in the north-east, the Islamic Republic of Afghanistan in the south-east, the Islamic Republic of Iran in the south. Turkmenistan also shares borders with the Republic of Azerbaijan and the Russian Federation on the Caspian Sea in the west.
<b>Terrain relief</b>	The main part of the territory of Turkmenistan is situated on Turan lowland. The Garagum desert occupies the central part of the country, which is equal to 80% of the territory. There is a stony and gravelly desert in the west and sandy desert in the east. Hills and mountains are mainly confined to the southern part of the country.
<b>Climate</b>	Dry continental, with big temperature fluctuations, low rainfall and high volatility.
<b>Population (millions)</b>	5.94 (2020)
<b>Average life expectancy (years)</b>	68 (2019)
<b>Language</b>	Turkmen, Russian is also common.
<b>Currency</b>	1 Manat = 100 Tenge (TMM)

## Chapter 2 Economic outlook

### General outlook

The economy of Turkmenistan is diversified with companies operating in various industries: power generation, chemical and petrochemical, oil and gas production and refining, construction materials and construction, transport and communication, textiles and food manufacturing, agriculture. The hydrocarbons sector takes the lead, as the country is the home of the fourth largest proven reserves of natural gas in the world according to the BP<sup>1</sup>.

Turkmenistan actively develops its foreign economic relations with other countries. It has established regular trade relations with 119 countries. Turkmenistan also engages with the multilateral financial institutions such as the International Monetary Fund, the World Bank, the European Bank of Reconstruction and Development, the Asian Development Bank, the Islamic Bank of Development and others.

The country is a member of about 50 international organisations, including the United Nations and its agencies, ECO, CIS, OSCE, Non-Aligned Movement, Islamic Organisation of Cooperation, Energy Charter, IMF, World Bank, ADB, World Health Organization (WHO), International Organisation for Migration, International Atomic Energy Agency, Gas Exporting Countries Forum and others. Turkmenistan has joined over 150 international conventions, treaties and other multilateral documents. Turkmenistan recognises the priority of the generally recognised norms of the international law.

### Macroeconomic indicators for 2020<sup>2</sup>

<b>Nominal GDP Growth, %</b>	4.69%
<b>GDP per capita (USD, thousands)</b>	7.67
<b>Nominal GDP (USD, millions)</b>	47.4
<b>Inflation, average consumer price</b>	7.6%
<b>TOP-5 Trade partners</b>	Turkey, UAE, Japan, China, Russian Federation
<b>TOP-5 Export position</b>	Natural Gas, petroleum products, petroleum, cotton fiber, electric energy
<b>TOP-5 Import position</b>	Equipment, machines, non-precious metals and their products, products of stone, gypsum, glass, chemical products

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<sup>1</sup> <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2021-natural-gas.pdf>

<sup>2</sup> <https://www.imf.org/en/Publications/REO/MECA/Issues/2021/04/11/regional-economic-outlook-middle-east-central-asia>

## Financial sector outlook

Turkmenistan has a two-tier banking system established over the years of independence. The Central Bank of Turkmenistan is the main governing body for the system.

The financial institutions comprise ten registered banks: four are state owned, five are joint stock and one is a branch of a foreign commercial bank.

### Bank branches and agencies throughout Turkmenistan<sup>3</sup>

Name	Ahal region	Ashgabat	Balkan region	Dashoguz region	Lebap region	Mary region	Total
SCBT Dayhanbank	9	1	9	11	17	13	60
JSCBT Halkbank	4	7	3	4	11	6	35
JSCBT Turkmenbashy	1	5	4	4	6	4	24
SCBT Turkmenistan	3	9	4	1	3	3	23
JSCBT Senagat	1	2	4	3	2	2	14
JSCBT Turkmen-Turkish	-	2	1	1	2	1	7
JSCBT Rysgal	-	1	1	1	1	1	5
TFEB	-	2	2	-	-	-	4
Bank Saderat Iran	-	1	-	-	-	-	1
State Development Bank of Turkmenistan	-	1	-	-	-	-	1
<b>Total</b>	<b>18</b>	<b>31</b>	<b>28</b>	<b>25</b>	<b>42</b>	<b>30</b>	

<sup>3</sup> [https://www.cbt.tm/tm/journal/journals/bh\\_01\\_11\\_2021.pdf](https://www.cbt.tm/tm/journal/journals/bh_01_11_2021.pdf)

## Chapter 3 Enterprises and separate divisions

### State enterprise

A state enterprise is an enterprise created at the expense of state funds or transferred in accordance with the established procedure into the ownership of the state, which owns, uses and disposes of the property assigned thereto.

The legal basis for the creation of a state enterprise is a statute on its creation, adopted by the Cabinet of Ministers of Turkmenistan or other authorised state body in accordance with its competency. The minimum size of the chartered capital of a state enterprise is determined by the state body that adopted the statute on the creation. The activities of state-owned enterprises are determined by the charter registered in the prescribed manner.

The founder has the right to establish:

- Compulsory works (tasks, orders);
- Prices and tariffs for goods, works, services, as well as the rules for their calculation;
- Administrative positions to which employees are appointed by the founder.

A state-owned enterprise is liable for its obligations by all property. A state-owned enterprise is not responsible for the obligations of the founder. The founder's liabilities are limited by the property assigned to the enterprise.

### Individual enterprise

An individual enterprise is an enterprise that belongs to one individual (sole proprietorship). The constituent document of an individual enterprise is its charter, approved by the owner. An individual can create an individual enterprise through the acquisition of an enterprise owned by other owners. The property of an individual enterprise comprises property of the founder, assets financed with income received and borrowings from other legally permitted sources. The minimum size of the authorised capital of an individual enterprise is set at 1,250 manats. The owner or a hired manager (executive director) can manage the individual enterprise on basis of a management contract. The owner of an individual enterprise bears unlimited liabilities for the obligations of the individual enterprise.

### Cooperative enterprise

A cooperative enterprise is an enterprise based on the personal participation of each member in its activities. The property of a cooperative enterprise is formed at the expense of monetary and property contributions of its members, as well as income and other sources not prohibited by the legislation of Turkmenistan. The minimum size of the chartered capital of a cooperative enterprise is set at 2,500 manats. The top governing body of the cooperative enterprise is the general meeting of its members. General meeting of members may form an executive body for conducting the affairs of a cooperative enterprise. The cooperative enterprise is liable for its obligations within the limits of its property. The joint and several liability of the shareholders of a cooperative enterprise is limited by their respective shares in the charter capital.

### Joint venture

A joint venture is an enterprise created in accordance with the procedures established by the legislation of Turkmenistan in order to derive benefits from the joint cooperation of Turkmenistan based individuals and (or) legal entities and (or) foreign individuals and (or) legal entities. A joint venture is established on the basis of an agreement concluded between its founders. Moreover, the share of each founder in the chartered capital must be at least 10 percent of the total equity. The equity of a joint venture consists of shares (deposits) of the participating individuals and (or) legal entities. The minimum size of the chartered capital of a joint venture must be 5,000 manats. The joint venture is liable for the obligations assumed within the limits of its equity. The supreme body of a joint venture is the general meeting of its participants.

### Not-for-profit organisation's enterprise

Not for profit organisations are enterprises created by public associations, religious organisations, charitable or other public funds. Not for profit organisations are created at the expense of these organisations and (or) funds of other founders, as well as other monetary and property resources not prohibited by the legislation of Turkmenistan. The minimum size of the chartered capital of a not-for-profit organisation should be 5,000 manats. The procedure for managing an enterprise is determined by the charter of the enterprise. A not-for-profit enterprise is responsible for its obligations within the limits of all property belonging to it. The enterprise is not responsible for the obligations of its owners.

### Economic society

An economic society is a partnership, on the basis of an agreement concluded between its founders, of two or more individuals and (or) legal entities for joint activities. The minimum size of the chartered capital is set at 5,000 manats. The supreme body of the economic society is the general meeting of its founders, and the company charter determines the procedures for managing business and conduct of company's affairs. The founders of economic society could be jointly and severally liable for the obligations of the company with all their property, as well as, liable within the limits of their contributions (shares) in the chartered capital of the company depending on the economic society.

### Joint stock companies

A joint stock company requires at least two founders who could be both individuals and legal entities. The chartered capital of the company is divided into shares. Shareholders' liability is usually limited to the value of their shares. There are two types of joint stock companies: open and closed. An open joint stock company has the right to conduct an open subscription to the shares issued by it and to carry out their free sale. Shareholders of an open joint stock company may dispose of their shares without the consent of other shareholders. A closed joint stock company is a company in which shares are distributed only among its founders or other predetermined circle of persons. Such a company is not entitled to conduct an open subscription to the shares issued by it. Shareholders of a closed joint stock company have the preemptive right to purchase shares of the company or shares sold by other shareholders of this company. In an open joint stock company, there is no maximum number of shareholders. However, the maximum number of shareholders of a closed joint stock company is 50. The minimum size of the statutory capital of the Joint Stock Company is 10,000 manats. The

governing bodies of the joint-stock company are the general meeting of shareholders, the supervisory board, the board of the company and the audit committee of the company.

### **Branches and Representatives**

Enterprises have the right to create branches and representative offices that are not legal entities and their legal status is determined by the Civil Code of Turkmenistan. Branches and representative offices of an enterprise are subject to state registration in accordance with the Law on Enterprises. Enterprises of Turkmenistan have the right to establish enterprises, branches, representative offices and other separate subdivisions on the territory of foreign states in accordance with their national legislation and on the basis of international treaties of Turkmenistan. The branch / representative office is managed by the director on the basis of a power of attorney issued by the parent company.

## Chapter 4 Licensing requirements

Enterprises in Turkmenistan have the right to carry out one or several types of activities. Some of the business activities can be carried out only with a special permit (license). According to the legislation of Turkmenistan, licensing includes 39 types of economic activities (e.g.: medical, pharmaceutical, veterinary, seed-growing, aviation, printing activities, tourism, auditing, appraisal, banking, legal activities, etc.)

The validity of the license depends on the type of activity:

- professional services and banking activities are types of services, for which licenses are issued with unlimited term,
- certain types of entrepreneurial activities (excluding the import of alcohol, alcoholic beverages, tobacco products, which is up to one year) are licensed for a minimum term of three years.

The term of the license can be reduced (but not less than one year) or extended on the basis of an application by the applicant (licensee).

According to the Law of Turkmenistan "On Hydrocarbon Resources", the Subcontractor is not obliged to obtain a license for performing certain types of petroleum operations under an agreement with the Contractor or another Subcontractor. The company is not obliged to obtain separate license, if it provides services to Contractors and Subcontractors who are operating in accordance with the Law "On Hydrocarbon Resources" and entitled to the status of a Subcontractor, and providing services which are considered as "certain types of petroleum operations". However, company is not exempt from obtaining a license to provide services to other companies, which are not operating in accordance with the Law "On Hydrocarbon Resources". Moreover, if a company provides services to companies engaged in petroleum operations and companies engaged in sectors other than petroleum operations, the company will have to keep separate accounting records.

## Chapter 5 Taxation

See the rates of taxes and fees in Appendix #1.

### Subsoil use tax

Payers of subsoil use tax (except the legal entities and individuals who are contractors and subcontractors in accordance with the Law of Turkmenistan "On Hydrocarbon Resources") are legal entities, individual entrepreneurs who are carrying out the extraction of minerals (except the groundwater) on the territory of Turkmenistan, including chemical elements and compounds.

The following transactions are recognized as objects of taxation:

- sale of minerals extracted by a taxpayer;
- use for own consumption of taxpayer, including processing, of extracted minerals;
- receiving compensation for theft or damage of minerals from the perpetrators, and as well as insurance compensation.

### Property tax

Payers of property tax are legal entities, which own fixed assets except for contractors and subcontractors in accordance with the Law of Turkmenistan "On Hydrocarbon Resources". Legal entities of private ownership are exempt from the property tax.

Tax base for property tax:

- For property, plant and equipment - the average annual book value;
- Inventory stock – the average annual cost.

### Corporate profit tax of legal entities, residents and non-residents of Turkmenistan, operating in the territory of Turkmenistan through a permanent establishment

Corporate profit tax payers are legal entities-residents of Turkmenistan and legal entities-non-residents of Turkmenistan, who operate in Turkmenistan through a permanent establishment.

The taxable base for the residents of Turkmenistan is the profit for the reporting (tax) period, and for the non-residents (branch, agency or permanent establishment) taxable base is defined as the profit earned only within the territory of Turkmenistan.

### Corporate profit tax of non-resident legal entities on income earned from the sources in Turkmenistan (withholding tax)

Income tax is withheld from the gross income of the taxpayer without deductions (except for the VAT) upon receiving income from sources in Turkmenistan. In this case, the amount of income tax is being withheld from the funds payable to such a legal entity, with each payment.

### **Income tax of small and medium enterprises**

Payers of the tax are legal entities of private ownership which fall under the criteria of small and medium-sized businesses in accordance with the Law "On state support for small and medium-sized businesses" (micro-enterprises, small enterprises and medium enterprises).

The taxable base is the gross income of the taxpayer for the reporting (tax) period.

### **Income tax from gambling sector**

The object of taxation are slot machines (gaming tables), the number of seats or the area of the premises used for gambling.

The taxable base for income received from gambling activities is established as a fixed amount, calculated according to:

- number of slot machines (gaming tables);
- number of seats;
- area of the premises used for this activity.

### **Dividend tax**

The object of taxation is dividends and other funds received from equity participation in other legal entities and partnerships.

Taxable base is an accrued amount of income in the form of dividends and other funds from equity participation, without any deductions. Dividends received from the equity participation after the distribution of profit received from the provision of services for the reception of tourists (including all related services) are exempt from the dividend tax.

### **Personal income tax of residents and non-residents of Turkmenistan**

Individuals, residents and non-residents of Turkmenistan, who receive income, are payers of personal income tax.

The taxable base for income tax is:

- for individuals who receive wages or remuneration from legal entities or individuals, the tax base is determined as the income in accordance with an employment or civil contract, reduced by non-taxable income of this person and tax deductions;
- for individual entrepreneurs, operating under the common taxation system, the tax base is equal to the amount of income of the taxpayer in the reporting (tax) period, received both in cash and natural form, including in the form of goods (works, services), as well as physical benefits and social benefits, reduced by documented expenses related to the extraction of income;
- the tax base for individual entrepreneurs is equal to the amount of gross income without reducing in the amount of deductions (under the simplified taxation system).

### **Advertising tax**

Payers of the advertising tax are individuals and legal entities (except legal entities operating in accordance with the Law of Turkmenistan "On Hydrocarbon Resources") who advertise their products and services.

The object of taxation is the commercial advertising, which is carried out either by tax payers or through the media or advertising agencies.

### **Dwelling tax**

Payers of the dwelling tax are:

- Individuals, residents of Turkmenistan who are working under an employment or civil contract;
- Individual entrepreneurs;
- legal entities, non-resident-legal entities, operating in the territory of Turkmenistan through a permanent establishment.

The object of taxation is a taxable income, profit or a fixed amount, depending on the taxpayer.

### **Contribution to the State Fund for the Development of Agriculture of Turkmenistan**

Payers of the contribution to the State Fund for the Development of Agriculture of Turkmenistan are enterprises and organisations, regardless of their form of ownership, which are legal entities (including small and medium enterprises that apply a simplified taxation system). The taxable base is the profit for the reporting period.

### **Contribution for the development of the city of Ashgabat**

Payers of the contribution for the development of Ashgabat are all legal entities, regardless of their form of ownership, having a legal address within the administrative territory of Ashgabat. The taxable base is the profit for the reporting period.

### **Value added tax**

Payers of value added tax are legal entities and individual entrepreneurs operating under common tax regime.

The following persons are exempt from the value added tax:

- The Central Bank of Turkmenistan;
- Individuals who are contractors and subcontractors in accordance with the Law of Turkmenistan "On Hydrocarbon Resources";
- Legal entities of private ownership (according to the Law of Turkmenistan "On state support for small and medium-sized businesses");
- Individual entrepreneurs subjected to the simplified taxation system.

Taxable transactions are:

- Sales of goods, provision of services, as well as transfer of property rights;
- Construction and installation works for own needs except for the works related to the installation of the purchased or manufactured equipment, as well as its repair;
- Receiving the compensation for damage caused from perpetrators or by theft, as well as insurance compensation;

- Use of goods, provision of services for own consumption, if the respective costs are not included in the deductions accepted for calculating the profit tax (also depreciation deductions).

### Excise tax

Excise tax payers are legal entities and individuals, which perform taxable transactions and import excisable goods into the customs territory of Turkmenistan.

The object of taxation is the following taxable transactions (if those excisable goods were produced, or services for their production (manufacturing, bottling) are provided within the territory of Turkmenistan):

- Sale of excisable goods of own production;
- Use of produced excisable goods for own consumption, except for the production of excisable goods;
- Compensation of excisable goods from the perpetrators as a result of damage caused or by theft, as well as insurance compensation;
- Provision of services for the production (manufacturing, bottling) of excisable goods that were produced from customer's raw materials.

### Tax exemption

According to the Tax Code of Turkmenistan, some of the economic activities and types of enterprises are exempt from various taxes, for example, agricultural enterprises are exempt from income tax and property tax, and investment pension funds are exempt from dwelling tax.

Tax rates may be reduced in accordance with the terms of international agreements entered in by Turkmenistan to avoid double taxation with other countries for payments received by taxpayers in such countries. To date, Turkmenistan has signed agreements on the avoidance of double taxation with 39 countries. For a list of countries, see Appendix #2.

### Customs duties and fees

The following customs duties apply on the territory of Turkmenistan:

- Customs duty on imports;
- Customs duty on exports;
- Taxes;
- Customs duty on clearance, fees, etc.

Goods (imported by individuals and individual entrepreneurs) which are not included in the list of specific customs duties are subject to 2% duty applied on the customs value of the imported goods and fees of 0.2% of the goods value for customs services. Goods (imported by legal entities) which are not included in the list of specific customs duties are subject to 0.2% duty.

Customs duties are being charged for services such as:

- Customs clearance (except customs regimes of destruction; refusal in favour of the state; customs transit) - 0.2% of the customs value;
- Customs escort – 0.2 times base rate used to calculate taxes and fees for each hour of work of a customs officer;
- Customs storage of goods (except customs regimes of destruction and refusal in favour of the state) - 0.3% of the customs value of goods for each day.

Goods, materials and equipment intended for carrying out the petroleum operations in accordance with the “Law on Hydrocarbon Resources” which are imported into or exported from Turkmenistan, are exempt from customs duties and fees set forth by the legislation of Turkmenistan.

## Chapter 6 Book-keeping, financial reporting and audit

### Book-keeping and financial reporting in Turkmenistan

Book-keeping and financial reporting are carried out according to National financial reporting standards (hereinafter “NFRS”) and International financial reporting standards (hereinafter “IFRS”).

Entities in Turkmenistan use Turkmen manats, or TMT, as reporting currency. Accounting for transactions in foreign currency is carried out as per the requirements of NFRS and IFRS.

Financial statements present an information about the financial position, financial results, changes in the financial position and cash flows of an entity with the purpose of assistance in making economic decisions.

Financial statements consist of the sets of general-purpose financial statements, special purpose financial statements, interim financial statements, simplified financial statements and interim-simplified financial statements.

Sets of simplified and interim-simplified financial statements are prepared according to the requirements of NFRS and IFRS for small and medium enterprises.

### Financial reporting

A calendar year (from January 1 to December 31) is the reporting period for general-purpose financial statements.

A quarter or a half-year is the reporting period for interim financial statement.

The reporting periods for simplified financial statements and interim-simplified financial statements is a calendar year and a half-year, respectively.

An entity presents the general-purpose financial statements to:

- the founder in accordance with the charter;
- the state statistics body at the place of its registration;
- the tax authority at the place of its registration;
- the state and local government bodies and other users of financial statements in accordance with the legislation of Turkmenistan.

### Audit

Audit is carried out in accordance with the national auditing standards (hereinafter “NAS”). Audit can be mandatory and voluntary.

Audit is mandatory for:

- entities engaged in banking activities, professional activities in the securities market, exchange trading activities, pension and insurance activities;

- entities created in the form of a joint-stock company; economic society; joint venture; subsidiaries; branches and representative offices of foreign companies registered in Turkmenistan; legal entities, chartered capital of which is formed by foreign investments partially or in full.

Mandatory audit is carried out only by audit organisations on an annual basis. Individual entrepreneurs, who are licensed auditors, have the right to carry out only a voluntary audit.

## Chapter 7 Labour regulations, welfare and social security

### Labour contract

Labour contracts are concluded after the employer issues an order to hire the employee on the basis of his/her application.

Labour contract can be: temporary (not more than 5 years), and permanent.

Temporary labour contracts are concluded in cases when employment relations are not permanent or cannot be established on a definite period in view of the working conditions.

### Working hours

Normal working hours do not exceed 40 hours per week.

A day before the holidays, the duration of work is reduced by one hour, except for employees with reduced working hours.

In continuously operating enterprises, where it is impossible to reduce the duration of work (shift), the overtime before the holiday is compensated by the additional rest time or remuneration set by the Labour Code as per the decision of the employee.

### National holidays and vacations

Enterprises, organisations and institutions do not work on following national holidays and memorial days:

- New Year – January 1;
- International Women’s Day – March 8;
- National Spring Holiday – March 21-22;
- Constitution Day and Day of State Flag – May 18;
- Independence Day of Turkmenistan – September 27;
- Memorial Day – October 6;
- International Day of Neutrality – December 12;
- Kurban Bairam – the date is determined annually, by the decree of President of Turkmenistan;
- Oaza Bairam – the date is determined annually, by the decree of President of Turkmenistan.

There are other holidays and memorial days without a rest decreed by the President of Turkmenistan. Also, employees have the right for an annual and other types of vacations in accordance with the Labour Code of Turkmenistan. They are:

1. Annual vacation - 30 calendar days. Teachers and heads of educational institutions, Ph.D. holders, and persons with disabilities are entitle to 45 calendar days of the annual vacation;
2. Additional paid vacation:

- 2.1. Additional vacation for jobs with harmful and/or dangerous working conditions - 3-15 calendar days;
  - 2.2. Additional vacation for a specific nature of job - up to 15 calendar days;
  - 2.3. Additional leave for people injured as a result of a nuclear catastrophe - up to 15 calendar days;
  - 2.4. Additional vacation for marriage festivities - 10 calendar days;
  - 2.5. Additional leave for the funeral and commemoration procedures - 10 calendar days;
  - 2.6. Additional vacation for citizens who aged 62 years - 3 calendar days.
3. Social leave:
    - 3.1. Maternity leave - 112 calendar days;
    - 3.2. Unpaid parental leave until the child is 3 years old;
    - 3.3. Study leave - for the period of each examination session, and sitting state exams (on the basis of an invitation letter from educational institution);
    - 3.4. Sabbatical – for the completion of the Ph.D., as well as for writing textbooks and teaching aids - 3 months; for the completion of a doctoral dissertation - 6 months.
  4. Unpaid leave –up to 10 calendar days per year are allowed at the request of an employee, in case of valid reasons.

### Social and health insurance

Every employee has the right to the state pension insurance and social security in the cases of reaching retirement age, disability, loss of a principal earner, and other cases stated in the legislation of Turkmenistan. The employer is obliged to carry out state pension insurance of employees in the manner prescribed in the legislation of Turkmenistan.

Wages, scholarships and other remuneration are the basis for calculating the contributions to the compulsory pension insurance.

The law sets the following types of pensions in Turkmenistan:

- Retirement pension
- Seniority pension
- Professional pension
- Disability pension
- Pension due to loss of principal earner
- Accumulative pension

Since October 8, 2021, President of Turkmenistan decreed the following:

- The minimum monthly pension to the participants of the World War II is 1,710 manats;
- The minimum monthly pension to spouses of participants of the World War II and home front workers is 500 manats;
- The base rate for the purposes of calculating the minimum pension is 410 manats;
- The base rate for the purposes of calculating the welfare payments is 390 manats.

The basis of pension provision in Turkmenistan is a pension system with contingent financing and a funded pension system:

- The contingent funded pension system is based on mandatory pension contributions and mandatory professional pension contributions paid by employers. The mandatory

pension contribution is 20% of the employees' wages for employers. Mandatory pension contributions for individual entrepreneurs are at least 10%, depending on the calculation base.

- The accumulative pension system is based on pension contributions paid by citizens in accordance with a voluntary pension insurance agreement, but not less than 2% of wages.

### Labour regulations of expats

Foreign nationals living in Turkmenistan can be employed by enterprises and organisations, or they can be engaged in other activities in the manner established in the labour legislation for citizens of Turkmenistan.

According to the labour legislation of Turkmenistan, foreign nationals cannot be engaged in activities or get appointed to certain types of positions if, that activities and positions are related to owning of Turkmenistan citizenship.

Foreign nationals have the same rights and bear the same obligations in employment relations as citizens of Turkmenistan, unless it is stated otherwise in the legislation of Turkmenistan.

In order to work in Turkmenistan, foreign nationals have to obtain a permission from the Commission for Monitoring Compliance of Inviting Foreign nationals for Temporary Employment (hereinafter "Commission") at the State Migration Service. Commission takes up to 30 days to consider an employer's application for a work permit. An additional 15-days period is allowed for cases where the Commission requires additional information or verification.

There is a quota of 10% for employment of foreign specialists by enterprises in Turkmenistan. Exceeding such quota is allowed with the permission of the Cabinet of Ministers only in accordance with the legislation in the field of hydrocarbon resources and in exceptional cases where there is the absence of qualified citizens of Turkmenistan.

The next step after obtaining a work permit is to apply for a visa. The issuance of visas is regulated by another Commission - the Commission for Control over the Issuance of Visas, the decisions of which are recorded in the minutes. Such minutes are filed by the visa departments. Visas can be obtained at the embassies and consular offices of Turkmenistan. If there is no embassy of Turkmenistan in a foreign country, visas may be obtained upon arrival at the international airports or at certain permitted border crossing points of Turkmenistan by presenting an invitation letter. The cost of the visa depends on its type, duration and citizenship of a foreign national.

Visa types:

- Diplomatic visa (DP)
- Official visa (OF)

- Business visa (BS)
- Work visa (WP)
- Private visa (PR)
- Student visa (ST)
- Tourist visa (TU)
- Transit visa (TR)
- Medical visa (HL)
- Driving visa (DR)

Foreign nationals and stateless persons who have lived in Turkmenistan for at least 2 years may apply for a residence permit.

In 2021, a visa-free entry and exit regime was allowed for foreign nationals with UN permits. Therefore, foreign nationals holding UN licenses (passports) may enter, stay, leave and cross the territory of Turkmenistan up to 30 (thirty) calendar days from the day of entry. Visa is not required for foreign nationals and their families who are employees of the United Nations or its agencies accredited by the Ministry of Foreign Affairs of Turkmenistan.

The Law of Turkmenistan "On Foreign Investment" entitles foreign nationals to have one-year multiple entry visas if they are employed by enterprises with foreign capital, including branches and representative offices. Accelerated procedure of issuing visas and work permits are arranged for foreign nationals who are employed in the construction and commissioning of facilities in the free economic and tourism zones.

## Chapter 8 Support for investment activities

### State support for foreign investment

Foreign investors are provided with national legal regime in carrying out their business activities and using of profit, which cannot be less favourable than for domestic investors. If changes in the legislation of Turkmenistan lead to prohibitions and restrictions that worsen the legal regime for foreign investors, then the legislation in force at the time of registration of foreign investments applies to them for ten years. Enterprises that implement investment projects on the basis of a decision of the Cabinet of Ministers of Turkmenistan are entitled to have the legislation in force at the time of registration applied for the whole period of payback of the investment project.

Foreign investment incentives:

1. Customs duty and customs clearance fees are exempt for the property imported by:
  - 1.1. a foreign investor as a contribution to the chartered capital;
  - 1.2. a foreign investor, and foreign invested enterprise based on the international contracts concluded as an investment, by the decree of the Cabinet of Ministers of Turkmenistan. Such property is exempt from customs duty for the whole payback period of the project.
2. Foreign investors and branches of foreign legal entities have the right to export the goods and services of their own production and import the goods and services for their own needs, without an export license.
3. Foreign investors operating on the territory of free economic zone have the right to lease land, depending on the payback period of investment projects.
4. Registration fee is not charged for investment projects, branches and representative offices of foreign legal entities engaged in construction and operation of facilities in the free economic zones.
5. Foreign investors operating on the territory of free economic zone are exempt from:
  - 5.1. consular and registration fees;
  - 5.2. fees for registration of contracts;
  - 5.3. licensing and re-licensing fees;
  - 5.4. rental charge for land in accordance with the legislation of Turkmenistan;
  - 5.5. contributions from profits to non-budgetary funds established by the legislation of Turkmenistan.
6. Certification of equipment and materials is free of charge when they are imported by foreign investors, as well as their contractors and subcontractors engaged in the construction and operation of facilities in the free economic zone.
7. Foreign invested enterprises, branches of foreign legal entities independently determine the terms of sales and price of their products (works, services) for the products and services prices of which are regulated by state.

## State support for small and medium-sized businesses

Support for small and medium-sized enterprises (hereinafter “SMEs”) is provided at the state level in legal, organisational, financial, informational, property and other forms.

Principles of state support for SMEs are:

- Priority of SME development;
- Complexity and transparency of state support for SMEs;
- Availability of state support for SMEs;
- Providing guarantees of freedom of entrepreneurial activity, as well as guarantees of protection of property rights of SMEs.

Main areas of State support:

- Creating the favourable conditions for development, including provision of SMEs with financial, material and technical resources;
- Providing with access to legal, economic information and with scientific research and know-how technologies;
- Encouraging the investments by SMEs that encourage state programs of socio-economic development, creating new jobs and increasing incomes of population;
- Public procurement of goods and services from SMEs on a competitive basis;
- Providing assistance to SMEs in training of personnel;
- Providing assistance in the development of foreign economic activities, interregional cooperation, and the export potentials of SMEs;
- Providing support to public associations of SMEs.

The Cabinet of Ministers of Turkmenistan may decide on provision of funds for lending to SMEs; financing the business development; grants for the new technologies and innovations; creation of economic, commercial and industrial zones; including the construction of systems and engineering facilities; equity participation in capital investment of projects.

State guarantees for the protection of SMEs:

- legal protection of SMEs;
- guarantees from unreasonable interventions in the activities of SMEs;
- compensation for forcible forfeiture of property;
- compensation for the demolition of SMEs’ property;
- right to use of goods and funds belonging to SMEs;
- guarantee of freedom from foreign economic activity of SMEs;
- SMEs' access to information;
- protection of trade secrets of SMEs.

These supports are targeted at formation of a legal framework of government policy, which is aimed at creating favourable conditions for the development of SMEs as a vital link of the market economy and successful functioning of which contributes to the economic and social development in the country.

## Chapter 9 Free economic zones

The following functional types of free economic zones can be created on the territory of Turkmenistan:

- trade, including free trade zones and free export zones;
- free industrial zones, including export-import zones and industrial parks;
- techno-innovative zones, including techno-parks;
- services, including financial services, tourist and recreational services, informational and other services;
- transportation and logistics, including sea port facilities;
- agro-industrial zones;
- other complex types of free economic zones which include different functional types.

Special legal regimes of free economic zones include following:

1. The land use regime ensures applies a 10-year grace period for the rent payments. Thus, the company is exempt from the rent payment for 3 years from the date of the contract and pays 50% of the rate established by the legislation of Turkmenistan for the next 7 years until the full payment kicks in. A free economic zone is established for up to 40 years, and subject to extension if, its activities are in the interest of the national economy of Turkmenistan.

National and foreign investors have the right to sublease a property and property rights, by mutual consent of the counterparties, except for the lease of a land plot. The rights of use may be used as a collateral of the investor.

2. The pricing regime of the free economic zone, which implies free pricing for all types of manufactured goods (works, services).
3. Special currency regime, which includes parallel circulation of national and foreign currency and translation of national currency into freely convertible currency.
4. Features of the customs regime in the free economic zones:
  - 4.1. The customs regime of the free customs zone is applied in accordance with the customs legislation of Turkmenistan for goods imported into the territory (except for the tourist and recreational territory).
  - 4.2. Contracts for the import and export of goods, materials, equipment, works performed signed by participants of free economic zones are exempt from registration at the State Commodity Exchange of Turkmenistan.
5. The insurance regime, which allows to insure investments and risks of participants of free economic zones, on a voluntary basis.
6. The legal regime of employment relations in which foreign citizens, stateless persons and participants of the free economic zones are allowed to work and not to obtain work permits. Registration of such persons is carried out in a simplified manner, and this regime

allows the employers not to comply with the ratio of the number of Turkmenistan citizens and foreign citizens employed, established by the legislation of Turkmenistan.

Guarantees provided for participants of the free economic zone are as follows:

- The state ensures the stability of conditions for conducting investment and commercial activities on the territory of free economic zone.
- In case of early liquidation or change of the special legal regime or changes in the territory of free economic zone, the participants may continue their activities as per the contract, until it expires, but not more than ten years. The specified period is calculated from the date of cancellation or change of the special legal regime of the free economic zone.
- All individuals investing in the free economic zone are ensured with the rights and protection of investments, provided by the legislation of Turkmenistan on investment activity and foreign investments.
- No discrimination is allowed against foreign enterprises as compared to other enterprises operating in the free economic zone, as well as for measures of the compulsory withdrawal of foreign investment (nationalisation, requisition, confiscation).
- Sequestration of the invested property is not allowed, except for temporary suspension of the property rights until the investor has settled the obligations.

See the list of free economic zones, in Appendix 3.

## Useful addresses

MINISTRY OF FINANCE AND ECONOMY OF TURKMENISTAN <a href="https://fineconomic.gov.tm/">https://fineconomic.gov.tm/</a>	MINISTRY OF JUSTICE OF TURKMENISTAN <a href="http://minjust.gov.tm/tm/php/home.php">http://minjust.gov.tm/tm/php/home.php</a>
FINANCIAL MONITORING SERVICE UNDER THE MINISTRY OF FINANCE AND ECONOMY OF TURKMENISTAN <a href="https://turkmenfmd.gov.tm/ru">https://turkmenfmd.gov.tm/ru</a>	STATE NEWS AGENCY OF TURKMENISTAN <a href="http://tdh.gov.tm/">http://tdh.gov.tm/</a>
MINISTRY OF FOREIGN AFFAIRS OF TURKMENISTAN <a href="https://www.mfa.gov.tm/ru">https://www.mfa.gov.tm/ru</a>	«TURKMENSENAGAT» AGENCY <a href="http://www.industry.gov.tm/">http://www.industry.gov.tm/</a>
STATE MIGRATION SERVICE OF TURKMENISTAN <a href="http://www.migration.gov.tm/">http://www.migration.gov.tm/</a>	«TURKMENARAGATNASHYK» AGENCY <a href="http://www.mincom.gov.tm/">http://www.mincom.gov.tm/</a>
STATE COMMITTEE ON STATISTICS OF TURKMENISTAN <a href="http://www.stat.gov.tm/">http://www.stat.gov.tm/</a>	MINISTRY OF TEXTILE INDUSTRY OF TURKMENISTAN <a href="http://turkmentextile.gov.tm/index.php">http://turkmentextile.gov.tm/index.php</a>
MINISTRY OF TRADE AND FOREIGN ECONOMIC RELATIONS OF TURKMENISTAN <a href="http://mintradefer.gov.tm/index.php/tk/">http://mintradefer.gov.tm/index.php/tk/</a>	«TURKMENAWTOULAGLARY» AGENCY <a href="http://awtoulag.gov.tm/">http://awtoulag.gov.tm/</a>
UNION OF INDUSTRIALISTS AND ENTREPRENEURS OF TURKMENISTAN <a href="https://www.tstb.gov.tm/">https://www.tstb.gov.tm/</a>	«TURKMENDEMIRYOLLARY» AGENCY <a href="http://www.railway.gov.tm/">http://www.railway.gov.tm/</a>
STATE CUSTOMS SERVICE OF TURKMENISTAN <a href="http://www.customs.gov.tm/">http://www.customs.gov.tm/</a>	MINISTRY OF LABOUR OF TURKMENISTAN <a href="http://mlsp.gov.tm/">http://mlsp.gov.tm/</a>
CENTRAL BANK OF TURKMENISTAN <a href="http://www.cbt.tm/index.html">http://www.cbt.tm/index.html</a>	MINISTRY OF HEALTH AND MEDICAL INDUSTRY OF TURKMENISTAN <a href="http://www.saglykhm.gov.tm/">http://www.saglykhm.gov.tm/</a>
MINISTRY OF ENERGY OF TURKMENISTAN <a href="http://www.minenergo.gov.tm/">http://www.minenergo.gov.tm/</a>	CHAMBER OF COMMERCE AND INDUSTRY OF TURKMENISTAN <a href="http://www.cci.gov.tm/index.php/ru/">http://www.cci.gov.tm/index.php/ru/</a>
STATE BANK FOR FOREIGN ECONOMIC AFFAIRS OF TURKMENISTAN <a href="http://www.tfep.gov.tm/">http://www.tfep.gov.tm/</a>	NATIONAL CENTER OF TRADE UNIONS OF TURKMENISTAN <a href="http://www.tradeunions-kardesh.gov.tm/">http://www.tradeunions-kardesh.gov.tm/</a>
THE STATE COMMITTEE FOR TOURISM AND SPORT OF TURKMENISTAN <a href="http://tourism.gov.tm/">http://tourism.gov.tm/</a>	MINISTRY OF CONSTRUCTION AND ARCHITECTURE OF TURKMENISTAN <a href="http://www.construction.gov.tm/">http://www.construction.gov.tm/</a>
MINISTRY OF AGRICULTURE AND ENVIRONMENTAL PROTECTION OF TURKMENISTAN <a href="http://www.minagri.gov.tm/">http://www.minagri.gov.tm/</a>	OFFICIAL WEBSITE «TURKMENISTAN: GOLDEN AGE» NEWS AGENCY <a href="http://www.turkmenistan.gov.tm/">http://www.turkmenistan.gov.tm/</a>

## Appendices

### Appendix 1 - Schedule of taxes of Turkmenistan

Tax payers	Objects of taxation	Tax base	Rates	Tax and reporting periods	Submission of tax return and tax payments
<b>1. Subsoil use tax</b>					
Legal entities, individual entrepreneurs (except the contractors and subcontractors in accordance with the Law of Turkmenistan "On Hydrocarbon Resources") who are carrying out the extraction of minerals (except the groundwater) on the territory of Turkmenistan, including chemical elements and compounds.	1. Sale of extracted minerals; 2. Use for own consumption of taxpayer, including processing of extracted minerals; 3. Receiving compensation for theft or damage of minerals from the perpetrators, and as well as insurance compensation.	1. For hydrocarbon resources (crude oil, natural gas) - the value that the taxpayer receives or has the right to receive, excluding VAT; 2. Profit received from sale of other minerals.	1. Operations on hydrocarbon resources - 22%; on crude oil - 10%. 2. For other minerals - depend on the level of profitability.	A quarter	The tax return is submitted until 20th day of each month. Tax is paid until the 25th day of each month, following the reporting period. Also, prepayments are made by taxpayers on the 25th day of each month.
<b>2. Property tax</b>					
1. Legal entities which own fixed assets except for contractors and subcontractors in accordance with the Law of Turkmenistan "On Hydrocarbon Resources"; 2. Legal entities of state ownership, to which the property was transferred on the balance sheet.	1. Fixed assets and tangible current assets of production purpose - for resident and non-resident legal entities (branches, representative offices) of Turkmenistan; 2. For non-resident legal entities of Turkmenistan, which does not have a permanent establishment: real estate, production facilities, located in the territory of Turkmenistan.	1. For property, plant and equipment - the average annual book value; 2. Inventory stock – the average annual cost.	0.25% - of the tax base for the first quarter; 0.5% - of the tax base for a half year; 0.75% - of the tax base for 9 months; 1% - of the tax base for a year.	Tax period - tax year. Reporting period - a quarter, a half-year, 9 months and a tax year.	The tax return is submitted by the end of each reporting period, until the 20th of the following month. Property tax is paid by taxpayers until the 25th of the following month.
<b>3. Corporate profit tax of legal entities, residents and non-residents of Turkmenistan, operating in the territory of Turkmenistan through a permanent establishment</b>					
1. Resident legal entities of Turkmenistan; 2. Non-resident legal entities of Turkmenistan, operating on the territory of Turkmenistan through a permanent establishment.	Profit, and other types of income of taxpayer for the reporting (tax) period.	Profit for the reporting (tax) period reduced by the amount of benefits.	8% - for legal entities-residents in which less than 50% of the charter capital owned by state, credit institutions and entities operating in accordance with the Law of Turkmenistan "On Hydrocarbon Resources"); 50% - for state owned insurance organisations and credit institutions; 20% - for other legal entities.	Tax period - tax year. Reporting period - a quarter, a half-year, 9 months and a tax year.	Tax return is submitted to the state tax agencies, within the appointed time limits for financial reports. Profit tax is paid in advance - on the 25th day of each month. At the end of a quarter, half year, nine months and a tax year - within 5 days from the submission date.

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4. Corporate profit tax of non-resident legal entities on income earned from the sources in Turkmenistan (withholding tax)					
Non-resident legal entities, receiving income from sources of Turkmenistan.	Income from sources of Turkmenistan.	Income from sources in Turkmenistan excluding VAT (if included in the contract price).	15% - for all types of income except the income from lease of ships or aircraft; 6% - income from lease of ships or aircraft without personnel.	-	The tax return is submitted until the 20th of the following month in which the income was received. The tax is paid within 15 days after the end of second month after the reporting date.
5. Income tax of small and medium enterprises					
Legal entities - residents of Turkmenistan, belonging to the subjects of small and medium-sized enterprises: -microenterprises; -small enterprises; -medium-sized enterprises.	Gross income of the taxpayer for the reporting (tax) period.	The gross income, without deductions.	The income tax rate is 2%.	Tax period - tax year. Reporting period – the first half-year and a tax year.	Tax return is submitted to the state tax agencies, within the appointed time limits for financial reports. Tax is paid in advance from the proceeds to the current accounts for the first half year and the tax year - within five days from the day set for the submission of the return.
6. Income tax from gambling sector					
1. Legal entities residents of Turkmenistan; 2. Non-resident legal entities of Turkmenistan, operating on the territory of Turkmenistan through a permanent establishment; 3. Residents and non-residents of Turkmenistan.	The object of taxation are slot machines (gaming tables), the number of seats or the area of the premises used for gambling.	A fixed value calculated depending on: • number of slot machines (gaming tables); • number of seats; • area of the premises used for this activity.	For each slot machine - 30 TMT per day; For each game table - 370 TMT per day; For certain types of gambling activities (the largest) • for each seat or 7 TMT per day; • for each m2 of activity space or 3 TMT per day; for each cash register - 38 TMT per day.	Calendar month.	The tax return is submitted until the 20th of the following month, and the tax is paid until the 25th of the following month.
7. Dividend tax					
1. Legal entities residents of Turkmenistan; 2. Non-resident legal entities of Turkmenistan, operating on the territory of Turkmenistan through a permanent establishment; 3. Residents and non-residents of Turkmenistan.	Dividends and other funds received from equity participation in other legal entities and partnerships.	Amounts of dividends and other income from equity participation, except for dividends received from the provision of tourist reception services (including all related services).	• 15% - for legal entities; • 10% - for individuals.	-	The tax return is submitted until the 20th of the following month in which the income was paid. Tax payment: • If the income is received and the tax is paid at the same day; or • if the income is paid later than the last day of the month in which the income was received within 15 days after the end of the month.

## Doing business in Turkmenistan

<b>8. Personal income tax of residents and non-residents of Turkmenistan</b>					
Individuals, residents and non-residents of Turkmenistan, who receive income, are payers of personal income tax.	The object of taxation is income received by the taxpayer: - for residents of Turkmenistan, regardless of their sources; - for non-residents of Turkmenistan, who receive income from sources in Turkmenistan.	1. For individuals - wages/remuneration reduced by non-taxable income and deductions. 2. For individual entrepreneurs - the amount of gross income reduced by the amount of deductions. 3. For individual entrepreneurs (under the simplified tax system) - the amount of gross income without reducing by the amount of deductions.	The tax rate of 10% is set for individual entrepreneurs and for individuals receiving wages and remuneration, under the general system of taxation. 2% - for individual entrepreneurs, under the simplified system of taxation.	Tax period - tax year. Tax returns need to be submitted as at the end of the first half year and the tax year.	Tax agents get the report for individuals receiving salary or remuneration, until January 20th of the following tax year, and the tax is paid until the income transferred. Individual entrepreneurs (as with the general taxation system) must submit the tax return until the 25th of the following month, and transfer the tax until the 10th of the following month. Individual entrepreneurs (as with the simplified taxation system) must submit the return until the 15th of the following month, and transfer the tax until the 25th of the following month.
<b>9. Advertising tax</b>					
Individuals and legal entities (except legal entities operating in accordance with the Law of Turkmenistan "On Hydrocarbon Resources") that distribute commercial advertising.	The object of taxation is commercial advertising, distributed by taxpayers or through the media and advertising agencies.	The tax base is the amount of costs directly related to the production and distribution of advertising information.	<ul style="list-style-type: none"> <li>• 5% of the cost of advertising - for the city of Ashgabat;</li> <li>• 4% of the cost of advertising - for the city-towns of regions;</li> <li>• 3% of the cost of advertising - for other populated areas.</li> </ul>	Tax and reporting periods for the advertising fee - a quarter of the year.	The tax returns must be submitted for the previous reporting period until the 20th of the following month. Advertising fee is paid until the 25th of the following month.
<b>10. Dwelling tax</b>					
1. Residents of Turkmenistan who work under an employment contract on the territory of Turkmenistan; 2. Legal entities – individual entrepreneurs; 3. Legal entities, and foreign legal entities, operating on the territory of Turkmenistan through the permanent establishment.	Object of taxation - taxable income, profit or a fixed amount, depending on the relevant taxpayer.	1. For individual entrepreneurs - gross income after VAT, but not less than 5 TMT per month. 2. For other individuals - a fixed amount per month; 3. For legal entities - amount of taxable profit without including benefits.	0.3% - for individual entrepreneurs; 5 TMT per month - for other individuals; 0.5% - for agricultural enterprises; 1.5% - for other legal entities;	Tax and reporting periods – tax year.	1. Legal entities must submit the report until the appointed date; 2. Individual entrepreneurs must submit the report until the 15th of the following month. Tax agents get the report for individuals receiving salary or remuneration, until 20th January of the following tax year, and the tax is paid until the income transferred.
<b>11. Contribution to the State Fund for the Development of Agriculture of Turkmenistan</b>					
Legal entities earning profits from entrepreneurial activities; and small businesses applying the simplified taxation system.	Object of taxation is the net profit of enterprise.	Net accounting profit minus: - income from shares and other securities, income from equity participation, except for income received outside Turkmenistan; - profit received from the production of agricultural products.	3% - of accounting profit.	Tax period – tax year; Reporting period – a quarter, a half-year, 9 months, and a year. Reporting period for legal entities of small and medium-sized enterprises is the first half year and the year.	Tax return is submitted to the state tax agencies, within the appointed time limits for financial reports. The fee must be paid within 5 business days after submitting the tax return.

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<b>12. Contribution to the special purpose account of the Municipality of Ashgabat</b>					
All legal entities registered in Ashgabat, (regardless of their place of activity), and legal entities operating through representative offices and branches of non-residents in Turkmenistan.	Taxable income received by the taxpayer for the reporting period.	Taxable profit without following deductions: - Income from gambling activity; - Property tax, subsoil use tax and fees, (except for the target fee for the development of territories).	0,5% of the taxable base.	Tax period – tax year; Reporting period – a quarter, a half-year, 9 months, and a year. Reporting period for legal entities of small and medium-sized enterprises is the first half year and the year.	Tax return is submitted to the state tax agencies, within the appointed time limits for financial reporting. The fee must be paid within 5 business days after submitting the tax return.
<b>13. Value added tax</b>					
Payers of value added tax are legal entities and individual entrepreneurs, when they make taxable transactions.	<ul style="list-style-type: none"> <li>sale of goods, work performance, provision of services, and transfer of property rights;</li> <li>performance of construction for own needs;</li> <li>Receiving compensation for damage caused by theft or damage to goods from the perpetrators, and insurance indemnity;</li> <li>use of goods, works, services for own consumption, if the relevant costs are not included in the deductions taken to calculate income tax (including the depreciation).</li> </ul>	The tax base is the value determined on the price of goods and services, which the taxpayer is entitled to receive from any other person, not including the amount of value added tax.	0% for some taxable operations as defined by the tax code; 15% - in respect of other taxable operations.	Tax and reporting periods for legal entities and individuals belonging to a partnership - a month. Tax period (for individual entrepreneurs and partnership members) – a year; and the reporting periods – 1st and 2nd half-years.	The tax return is submitted for the previous reporting period until the 20th of the following month. The tax must be paid until 25th of the following month.
<b>14. Excise tax</b>					
Excise tax payers are legal entities and individuals when they carry out taxable operations, as well as when they import excisable goods into the customs territory of Turkmenistan. Non-payers of excise tax are: <ul style="list-style-type: none"> <li>government organisations;</li> <li>contractors and subcontractors, in accordance with the Law of Turkmenistan "On Hydrocarbon Resources".</li> </ul>	<ul style="list-style-type: none"> <li>sale of excisable goods of own production;</li> <li>use of excisable goods produced for own consumption, except for the production of goods subject to excise tax;</li> <li>Receiving compensation for theft and damage of excisable goods from the guilty parties, as well as insurance compensation;</li> <li>services for production (manufacturing, bottling) of excisable goods from raw materials of the customer.</li> </ul>	The tax base is the value determined on the price of goods (without including the amount of value added tax), which the taxpayer is entitled to receive from any other person, including the amount of excise tax.	Beer - 24% of the cost; Natural grape wines, alcoholic liqueurs and other alcoholic beverages (except grape must), as well as wine materials containing alcohol: up to and including 20% - 31% of the cost; from 20% to 30% - 48% of the cost; over 30% - 61% of the cost.	Tax and reporting periods for excise taxes - a month.	The tax return is submitted for the previous reporting period until the 20th of the following month. The tax must be transferred until 25th of the following month.

## Appendix 2 List of countries with which Turkmenistan has signed Double Taxation Avoidance Agreement

Austria	United Arab Emirates
Azerbaijan	Pakistan
Armenia	Russian Federation
Bahrain	Romania
Belarus	Saudi Arabia
Belgium	Singapore
United Kingdom and Northern Ireland	Slovakia
Hungary	United States of America
Germany	Tajikistan
Georgia	Turkey
India	Uzbekistan
Iran	Ukraine
Kazakhstan	Finland
China	France
Korea	Croatia
Kyrgyzstan	Czech Republic
Latvia	Switzerland
Lithuania	Estonia
Malaysia	Japan
Moldova	

### Appendix 3 List of free economic zones<sup>4</sup>

The list of free economic zones operating in Turkmenistan:

- Ashgabat – Abadan;
- Mary – Bairamali;
- Khazar – Ekerem;
- Turkmenabat – Seidi;
- Bakharly – Serdar;
- Ashgabat – Anev;
- Dashoguz – Airport;
- «Guneshli Turkmenistan»;
- Serahs;
- Ashgabat – Airport;
- Avaza Tourist Zone;
- Ak Bugdai Industrial Zone.

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<sup>4</sup> Pürliýew B.G., Rahmanowa E.G., Meläýewa M.B. “Türkmenistanyň Ykdysadyýeti”, Aşgabat “Ylym” neşirýaty 2015

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