
**Intergovernmental Working Group of Experts on International
Standards of Accounting and Reporting
(ISAR)**

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Thursday, 19 October 2023

**Agenda item 4. Accounting and reporting needs of
microenterprises and small and medium-sized enterprises
and the role of accounting and reporting in facilitating the
formalization of businesses in the informal sector**

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Experiences in promoting the formalization of SMEs in the Kyrgyz Republic

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Abu Dhabi, ISAR 40, 2023



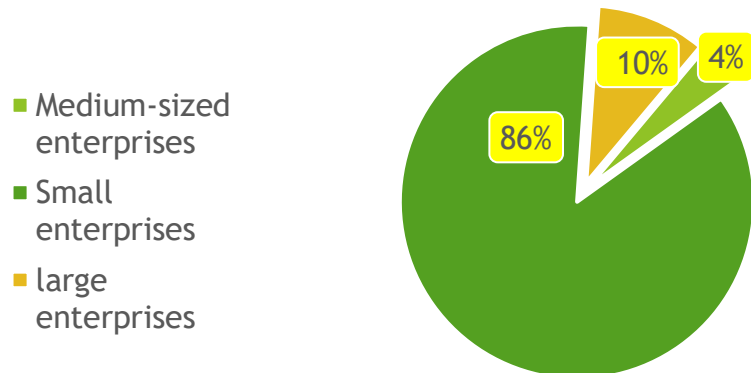
SMEs in the Kyrgyz Republic

Legislation governing MSMEs:

- ▶ The Tax Code (dated 17 October 2008);
- ▶ Law of the Kyrgyz Republic «On the state support of small entrepreneurship» (dated May 25, 2007 #73);
- ▶ Law of the Kyrgyz Republic «On accounting» (dated April 29 2002 #76).

In particular, there are specialized state programs aimed at supporting SMEs in Kyrgyzstan.

Percentage of enterprises (%)



Number of registered small and medium-sized enterprises as of 1 January 2022

Name	Number of enterprises	Percentage %
Small enterprises	16 252	1,8%
Medium-sized enterprises	798	0,1%
Individual entrepreneurs	429 985	47%
Peasant (private) farms	467 423	51,1%
Total	914 458	100%



SMEs in the Kyrgyz Republic

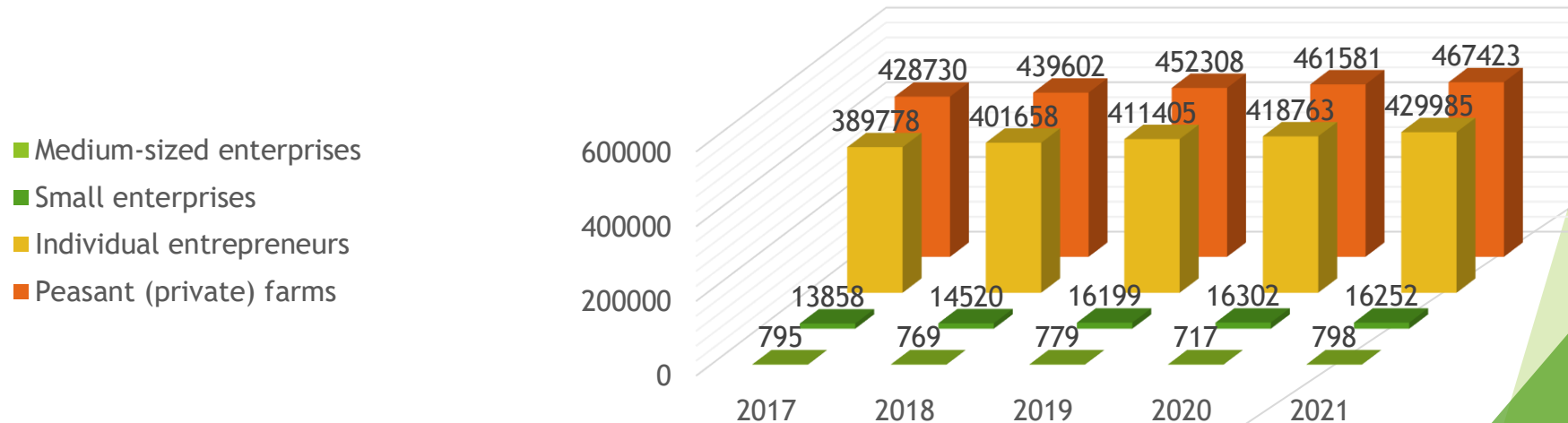
In 2021, 17.1 thousand. enterprises operated in the territory of the Kyrgyz Republic, including 16.3 thousand. - small enterprises and 0.8 thousand. - medium enterprises, 430 thousand. - individual entrepreneurs.

In the Kyrgyz Republic, the formalization of small business enterprises is steadily growing:

- small business enterprises: 13.6 thousand units (2016) - 16.3 thousand units (2021);
- individual entrepreneurs: 379 thousand people (2016) - 430 thousand people (2021).

According to the results of 2021, the volume of gross value added produced by small and medium-sized enterprises amounted to 309.5 billion soms, or 42.8 percent of GDP. In 2017-2021, its share averaged 42.0 percent of GDP.

Number of registered SMEs entities



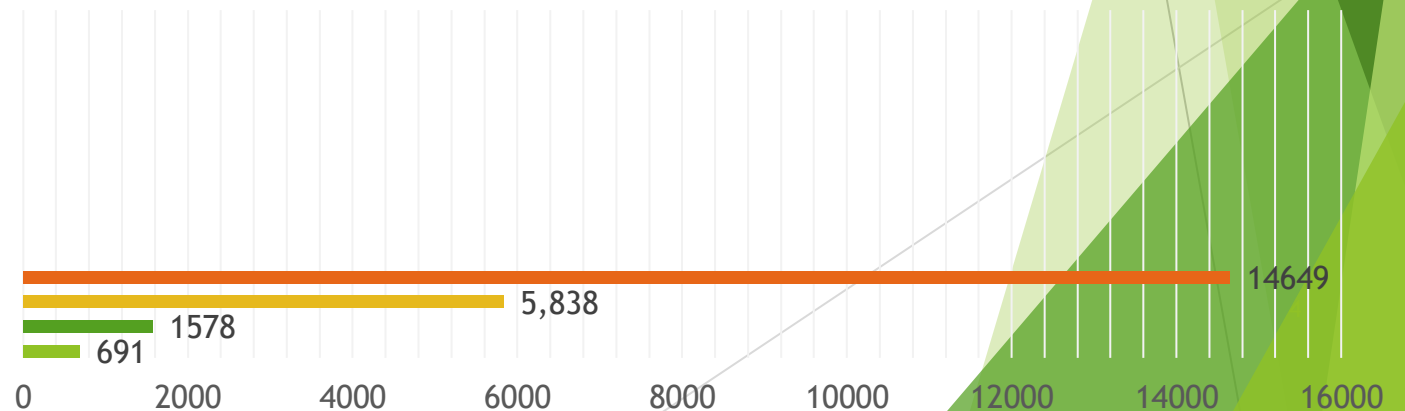


Accounting and reporting by SMEs

- ▶ Regulated by the Law of the Kyrgyz Republic «On accounting» (dated April 29 2002 #76).
- ▶ International Financial Reporting Standards (IFRS, IFRS for SMEs, IFRS OS) are defined as the methodological basis for accounting and financial reporting in the Kyrgyz Republic.
- ▶ Small business entities conduct accounting in accordance with simplified rules established by the Government of the Kyrgyz Republic.
- ▶ Small business entities have the right to prepare financial statements in accordance with IFRS for SMEs on a voluntary basis by decision of their governing bodies that have adopted accounting policies.

Total number of enterprises 22756

- Number of enterprises with IFRS accounting for SMEs
- Number of enterprises with IFRS accounting
- Number of enterprises with simplified accounting
- Number of enterprises with cash accounting





Measures to formalize SMEs in the Kyrgyz Republic

1. Active interaction of the Regulator with representatives of SMEs on development of regulatory documents in the field of accounting and reporting (in working groups and expert groups).
2. The regulator is actively looking for opportunities to organize training (seminars, trainings) and round tables to improve skills, knowledge and skills in the field of IFRS, IFRS for SMEs.

Year	Project name	Learning theme	Number of trained
2020-2021	Project on development of audit and financial reporting in the Kyrgyz Republic, financed with grants provided by the Swiss State Secretariat for Economic Affairs within the Single Donor Trust Fund and administered by the World Bank	Seminars «Application of IFRS for SMEs» and «Application of Accounting Rules by small businesses»	181 SME accountants
2022	13th tranche of the UN development project entitled «Towards integrated national financing mechanisms»	Seminar on «Reporting of Enterprises on the Contribution to the Sustainable Development Goals in Kyrgyzstan» and training for coaches «Accounting for micro-, small and medium-sized enterprises»	86 persons, including representatives of SMEs



Activities to formalize SMEs in Kyrgyz Republic

3. As noted earlier, in order to ensure the systemic development of small and medium-sized businesses in the Kyrgyz Republic, the Cabinet of Ministers of the Kyrgyz Republic sets the following priorities:

- ▶ Development of entrepreneurial skills and popularization of entrepreneurship;
- ▶ Creation of a system to teach small and medium-sized business entrepreneurs the basics of financial planning and project budgeting;
- ▶ Ensuring digitalization of licensing regulation. Automation of issuing licenses and permits and introduction of a unified information base of licensees and licensors.
- ▶ Step-by-step introduction of digital control and development of digital control tools in the framework of state digitalization programs;
- ▶ Significantly reducing the administrative burden of tax and other reporting for SMEs through the elimination of reporting that carries duplicate information and simplification of reporting forms. Simplification of the Single Tax Declaration for SMEs;
- ▶ Formation of a competitive, fair tax system through:
 - reducing the tax burden on SMEs;
 - development and implementation of mechanisms for the application of special tax regimes for the conduct of production activities in local territories, with the granting of the status of special economic zones in regions;
 - levelling the burden on income tax and on social contributions for SMEs;
- ▶ Development of business associations and strengthening of expertise and analytical capacity in the business community.



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Thank you!