

AMERICAN UNIVERSITY OF CENTRAL ASIA



DIPLOMA PAPER

*Leasing as a Form of Investment Activity in
Kyrgyzstan*

by ZHANYBEKOV DANIAR ZHANYBEKOVICH

ADVISOR: ALEXANDR AHN

2012-2013

BISHKEK 2013

Abstract

The thesis research paper is devoted to proving whether there are problematic aspects which slow down the development of leasing as a form of investments in Kyrgyz Republic, and also whether, these problematic aspects influence the development of economy of Kyrgyz Republic. To answer these questions the author researched all legal regulations on leasing operations and regulations which influence to leasing in Kyrgyz Republic. Author has analyzed civil, tax and finance legislation, the judicial practice and law enforcement in order to find the proper and available ways of reforms that could influence to the development of Leasing in Kyrgyzstan. Author believes that thesis paper will make a base for further transmission of leasing operations from sales and lease contracts to investment operations which will simplify using leasing as investment activity in Kyrgyzstan.

Table of Contents:

INTRODUCTION

- A. Background
- B. Research
- C. Benefits of the thesis
- D. Thesis scope
- E. Methodology
- F. Organization of thesis

CHAPTER I. ESSENCE OF LEASING

- A. Introduction
- B. History of appearance and development of Leasing
- C. Notion and general description of Leasing
- D. Conclusion

CHAPTER II. CONCEPT OF LEASING IN THE KYRGYZ REPUBLIC

- A. Introduction
- B. Types of leasing in Kyrgyzstan
- C. Features of leasing
- D. Lease and license contracts
- E. Alternatives
- F. Methods of Settlement
- G. International Practice
- H. Conclusion

CHAPTER III. PROBLEMATIC ASPECTS AND PROSPECTIVES OF LEASING

- A. Introduction
- B. Legal Regulation of leasing in Kyrgyzstan

C. Barriers overcome leasing in Kyrgyzstan

D. Tax types and preferences

CONCLUSION

A. Leasing as a new investment instrument

BIBLIOGRAPHY

A. Hard Resources

B. Internet Resources

C. Normative legal acts

INTRODUCTION

A. BACKGROUND

The Central Asian Free Market Institution which works on liberation and reforming of governmental system considers that the future development of economy of Kyrgyzstan is directly related with investment activities. In the meeting with the administration of Naryn region, vice minister of Kyrgyz Republic Zhoomart Otorbaev said that main part of investments should be directed to renew material technical base of industrial and agro sector, because they are main part of economy. The deficit of material and technical base (technical equipment, machines) is the main reason to economic slowdown in Kyrgyz Republic. Past years many specialists made analysis of investment activities in Kyrgyz Republic. According to Medetbekov A.E who is specialist on financial lease and lawyer in Kyrgyz Slavic University: “Investment activities in Kyrgyzstan considered as the acceleration of technical and economic progress, the renewal and modernization of production facilities and mastering advanced methods of production.”¹

As reported by Analytical Report of Leasing made by Soros which were made by the project which was directed to the development of alternative financial instruments in Kyrgyz Republic, “...the tendency of technical progress in the competing World shows us that in Kyrgyzstan old technical base need revolutionary and urgent renewal”.² Profound changes in the economic business conditions make it necessary to find and implement non-traditional financing methods of updating our country logistics and modification of equipments of various forms of ownership. One of these methods is «leasing».

Expert of one of the international organizations Zhamilya Arzykulova says, that: “currently, the majority of Kyrgyz enterprises in the lack of working capital. They cannot

¹Medetbekov.A.E, Vestnik KRSU: Investment activities to the economy of Kyrgyz Republic part 10, #7 (Bishkek, 2010), 20-21

²Soros Foundation, RazvitieLizinga v Kyrgyzstane: Lizing I EkonomicheskoeRazvitie, (Bishkek,2003), 4-7

renew their fixed assets, introduce the achievements of scientific and technical progress and are forced to borrow. There are different types of loans: mortgage, secured by securities (repo transactions), and secured consignments, to real estate however companies with the need to update assets more profitable to take the equipment on lease.” An Economic benefits are important part of business activities, expert in small and medium business Kanat Omuraliev has own theory for leasing activities. «The saved funds of the company as compared to a conventional loan for the purchase of fixed assets up to 10% of the equipment cost for the entire lease term, which is usually from one to five years».³

Leasing is being developed widely abroad and currently in the Commonwealth Independent States (CIS). Progress of leasing operation could be the revolutionary step in the upgrading of technical base of national industry. The effectiveness of leasing transactions, achieved as a result of their use in business practice, is to stimulate the investment process, improving the financial condition of companies - lessees, competitiveness of small and medium businesses⁴.

In 2000 the International Finance Corporation (IFC) a member of the World Bank Group has started a project to promote leasing in Central Asia. Generally IFC works in the regions which require private investments. Kyrgyz entrepreneurs were very glad to have a new method of financing operation which is more comfortable and lucrative. Although much has been done to promote the new financial instrument for Kyrgyzstan, recently the staff of the IFC project on leasing, bankers, businessmen, frustrated lessees, and deputies were forced to admit that in this case we are far behind from our neighbors. Leasing in Kazakhstan and Uzbekistan has taken root, thriving, stimulating and creditors and vendors.⁵

³KanatOmuraliev, «UsileniePotenciala v gosudartstennomsektore» CKA, 2-4

⁴IFC, Lizing 2011,(Bishkek, 2011), 1-10

⁵<http://www.msn.kg/ru/news/6807/>

Authors' mission is to find out the reason of regress of leasing in Kyrgyzstan in the equal conditions and financing.

B. RESEARCH

Due to the complexity of the present topic and its importance to leasing operations for development domestic industry in Kyrgyzstan, we have to find certain ways of regulation of this issue. For using leasing as a form of investment activity, there are problematic issues with governmental property duties, taxation system and proper reforms in liberation of strict tax rates could influence to development of leasing. Therefore, the present research is particularly focused on analyzing the economic and legal issues and reasons regarding the slowdown of leasing in Kyrgyzstan. Moreover, the author considers the process of leasing operations and how to make it comfortable and easier.

Consequently, the scope of the present research is limited to the following research question: *Whether reforms regarding leasing operations in the taxation system will be effective in developing leasing in Kyrgyzstan?* The author throughout the current research will attempt to find a clear answer for the stated question through the deep analysis of national legislation, experience of other states, doctrinal writings of highly respected scholars and reports of International Organizations.

C. BENEFITS OF THE THESIS

This thesis will provide a basic analysis of the current leasing operation process and will show how it will be effective if leasing will be used as investment activity in Kyrgyzstan. Purpose of the thesis is to show that leasing has tangible benefits and specific drawbacks but, because of the current economic situation and tax rates it is not developed.

Furthermore, this thesis will attempt to show that leasing does have its place in the acquisition of industry assets and that leasing should be assessed as an alternative more often

than is current practice because of its ability to save money, both in the short and long term, which leads to additional recapitalization for more pressing issues.

The purpose of this thesis is to provide a broad-spectrum look into the acquisition process with regard to the leasing operations in industry. It is not intended to show that leasing is or will be the most effective alternative in any one very case, but rather that because of its potential, leasing should not be discounted simply because of current legislation enacted as intentional impediments to the lease option for defense acquisition.

D. THESIS SCOPE

The scope of this thesis is on the leasing operations and how leasing will act as investment activity. Specific tax rates for the objects of the leasing operations and how they influence to the development of leasing operations indeed in consequences the business and private sector.

E. METHODOLOGY

This thesis reviews the basic process of the leasing operations and specific rules governing leasing contracts. It also attempts to show the advantages and disadvantages of leasing while attempting to show that last has its place in the acquisition process. It will briefly showcase an example of a successful acquisition program where leasing did work, produced significant savings, and enabled to invest in higher priority programs.

F. ORGANIZATION OF THESIS

The research presented as follows:

Chapter I, Introduction, discusses the benefit, scope and methodology of this thesis while establishing context in the basic process of leasing as investment activity. It further describes the history of appearance and establishment of legal concept of leasing operations.

Chapter II, provides deep information about the concept and notion of leasing. It discusses about features and prospective, advantages and disadvantages, international and national practice of leasing operations. It discovers concepts, types and forms of leasing contracts.

Chapter III mostly discover problematic aspects, needed reforms, critique of experts and some weak points leasing operations in Kyrgyzstan and what we need to do.

CHAPTER I: THE ESSENCE OF LEASING

A. INTRODUCTION

The history tracks of leasing operations dates back to the XI century people used leasing contracts because it was comfortable and cheap in those times. In this chapter the author will describe the appearance of leasing in the ancient times and its evolution. This Chapter gives answers to two questions: why leasing operations were used and how it was comfortable to participants of contract?

The Chapter is structured chronologically and will begin with leasing history and concept. The first use of leasing is based on US practice. Chapter provides rich information about the history of leasing in Kyrgyzstan. Statistics and examples of leasing companies, shows the real status quo about leasing operations and its development in Kyrgyzstan.

The concept of leasing will be discovered in the second section. Paragraph is more about leasing as a contract. In chapter described notion, definition and regulation of leasing operations in Kyrgyzstan.

B. HISTORY OF APPEARANCE AND DEVELOPMENT OF LEASING

The development of relationships between the producer and buyer build the ways and sources of finance-credit system. One of such system is leasing. The main function of leasing is for companies to contract in a way which allows them to obtain the necessary equipment for their business without significant fixed costs.

History of the development and idea of leasing goes back to many years. According to Sumerian laws, leasing deals were concluded long before the new era in the ancient state of Sumer.¹ “Aristotle said that ‘true wealth lies not in the ownership of property but in the right to use it.’ A business does not have to own property to make a profit. It is often enough to

¹ http://yqyq.net/8998-Uchet_lizingovyh_operaciy.html

have the right to use this property over a certain period of time»². In the XI century in Venice existed trade relations similar to leasing operations, Venetians least expensive anchors to the owners of commercial vessels. ³According to foregoing historical facts, it appears that leasing was established based on the practice of economic relations and people in ancient times found that it as a way to acquiesce property.

The term “Leasing first appeared in the English Lexicon during the period (lease - take and pass the property for temporary use) associated with the operations of the telephone company Bell, whose leadership in 1877, decided not to sell their phones, but to rent.⁴ However, the first users for which leases were the basis of its activities was established only in 1952 in San Francisco by the American company "United States Leasing Corporation", and thus the U.S. has become home to new business, particularly banking.⁵The author believes that, the first firm step on leasing corporations was justified with big profits, because leasing was an alternative way of finance-credit system.

Author considers leasing as a relatively new financing instrument, but in comparison to traditional forms it has significant advantages. The main advantage of leasing over other ways of investing is that the entrepreneur can start up business, having only part of the necessary funds for the purchase of fixed assets. However, year by year because of bad historical precedents, leasing conditions become harder.

In the U.S. and in some countries of Europe, leasing has become one of the main types of economic business. The rapid growth of new leasing companies offering their services, and diverse modifications lease agreements have defined a variety of options for the acquisition of investment funds to entrepreneurs in different areas.⁶

²<http://www.cflbc.com/history/>

³ Iligin.I. Lizing pri exporte mashin I oborudovania(Moskva 2004) 24-41

⁴ http://leasing-relationship.com/2012/09/blog-post_23.html

⁵ <http://www.cflbc.com/history/>

⁶ <http://www.banki-delo.ru/2012/10/%D0%BB%D0%B8%D0%B7%D0%B8%D0%BD%D0%B3/>

In the late 50's leasing companies in the United States turned their attention to foreign markets. In 1959, the "United States Leasing Corporation" established a branch in Canada and began to think about the establishment of a branch in England. In the same year, the managing director of British credit company "Merchant Credit Company" visited the United States and "United States leasing Corporation". The stable and new source of financing and credit system become popular and many international banks and finance corporations start to learn the experience of US. Leasing influenced to the whole economic system of the US.⁷

June 8, 1960 was established Trading leasing company, where 80% of the shares belong to "Merchant Credit Company" and 20% "United States Leasing Corporation." The undoubted success of the company and quickly attracted the attention of English and other financial companies. In the first half of the 60's, most of companies took part in operations to leasing. Construction and new industry sector needed such revolutionary development of leasing operations.

Direct equipment manufacturers (General Electric, Rank Xerox, IBM, and others), realized the advantages of leasing compared to direct sales, they set up subsidiary leasing company (in the U.S., such companies are called «captives»). After 1963, the U.S. leasing business began participating banks. Thus, in the United States by the end of the 1960s there were three types of leasing companies (independent, subsidiary producers and bank branches). Many companies gave up, after the use of leasing operations.⁸⁹

In 1980 in the United States acquired the distribution of leasing aircraft. During these years, the corporation MacDonnell Douglas managed by a new financial policy used leasing to gain a market for their model aircraft in competition with Boeing. Douglas proposed the

⁷ http://leasing-relationship.com/2012/09/blog-post_23.html

⁸ <http://www.inleas.ru/eng/leasing1.html>

⁹ <http://www.provko.kz/articles/business/lizing-mirovaya-istoriya-lizinga.htm>

concept called "Fly before buy".¹⁰ Today Kyrgyz air companies use this leasing operation in buying the aircrafts (Kyrgyzstan Airways).

Jeffrey Taylor, an American entrepreneur says that; Leasing first appeared in the United States in the 1700's to finance the use of horse-drawn wagons. By the mid-1800's, railroad tycoons, battling to extend their private railroads across the country, required tremendous amounts of new capital. Most banks, however, considered railroad financing risky and refused to lend to the emerging transportation industry. Locomotives, cars and other railroad equipment had to be financed using new and creative methods - the forerunners of the equipment lease.¹¹

Today in the XXI century leasing is one of the most effective ways to purchase costly plant and equipment, upgrade existing capital assets. In developed countries the share of leasing operations account for 30-40% of real investment in the economy.¹²

The leasing industry has experienced phenomenal growth over the years. In spite of a strong US dollar, volatile exchange rates and unpredictable interest rates, the leasing industry continues to survive and expand. Today, all over the world, you can see banks, insurance companies, captive finance companies, third-party vendors, brokers, and independent leasing companies all competing to serve lessees.¹³

In Kyrgyzstan, the first leasing operations were carried out in 2003. Lessors were commercial banks and microfinance companies. Leasing activity was allowed by the adoption of the 2002 Law "On the financial rent (leasing)." From 2003 to 2008, there was amendments to Tax Code of the Kyrgyz Republic ", concerning the taxation of leasing. These changes have created the preconditions for the formation of the country's leasing market.

¹⁰ Alessandro Gavazza: Leasing and Secondary Markets: Theory and Evidence from Commercial Aircraft (April, 2010.) 1-3

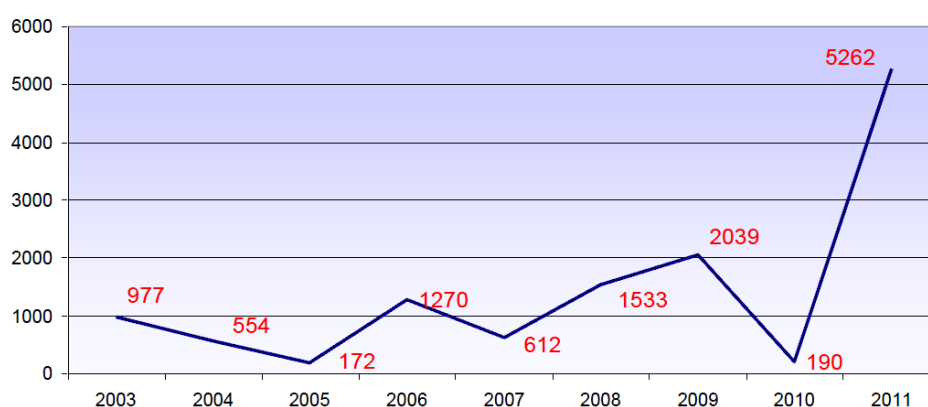
¹¹ <http://www.authorsden.com/visit/viewwork.asp?id=16526>

¹² Chris Boobyer: Leasing and Asset Finance: The Comprehensive Guide for Practitioners (UK 2003) 21-22

¹³ http://www.ifs4u.com/in_the_news.php

There are several leasing companies with experience of providing technology and equipment for leasing, such as: JSC "The Kyrgyz Investment and Credit Bank," the Bank "Tolubai", CJSC IFC "BaiTushum and Partners ", Financial Company for Support and Development of Credit Unions and had commenced in 2011 with the leasing of "Aiyl Bank".¹⁴

According to IFC analytical research made in 2011(7-20), OJSC "Aiyl Bank" CJSC IFC and "BaiTushum and Partners" provide agricultural machinery on lease, having carried out 271 leases. The cost of leased property was a record for all time implementation in Kyrgyzstan leasing since 2003, in the amount of \$ 5.26 million USD. However, compared with the previous year in 2010, only 12 transactions occurred in the amount of 190000 USD, 115 leasing deals worth 2.04 million dollars in In 2009, in 2008, 113 deals worth U.S. \$ 1.53 million in 2007 to 44 deals the amount of 612 thousand dollars and 29 deals worth 1.27 million U.S. dollars in 2006.



Value of the property leased from 2003 to 2011(IFC analytical report 2011).

(thousands in US dollars)

In 2011, the lease was transferred to only the amount of agricultural machinery and equipment issued in the past year more than in the entire five year period from 2006 to - 2010., Both in total and in quantitative terms, 271 units. in 2011 and 269 units. for 5 years prior. Thus, the number of leasing transactions, the main and only property, leased in 2011, as

¹⁴IFC: Lizing 2011: Obshietendencii (Bishkek 2011) 2-7

the previous 2 years, is agricultural. Leasing operations for other types of machinery and equipment in 2011 were carried out.¹⁵

Leasing in Kyrgyzstan as an instrument of financing is becoming known, however there are lack of users, because generally the conditions of leasing operations more complicated and not as profitable as lessees would derive.

C. NOTION AND GENERAL DESCRIPTION OF LEASING

According to International Finance Corporation (IFC), “Leasing in its simplest form is a means of delivering finance, with leasing broadly defined as *“a contract between two parties where one party (the lessor) provides an asset for usage to another party (the lessee) for a specified period of time, in return for specified payments.”* Leasing, in effect, separates the legal ownership of an asset from the economic use of that asset”¹⁶.

Money is never superfluous. As soon as it appears, there is always something that they want to spend, that is as true as to the personal purse of each of us, and in respect of accounts a large enterprise or a small company.

Conventional scheme, the classical version of leasing is the following. Companies in need of certain items of property, refers to the leasing company, which is acquiring the necessary property from a supplier and passes it to the leasing company. Accordingly, “the company is called the lessee, the leasing company - the lessor and the supplier - the seller of the property”¹⁷.

“The finance lease is a form of credit instrument, which can be used by legal person to purchase non-expendable property, except land. Usually leases are used to buy equipment for business purposes”. As a rule, the employer uses a finance lease, when he can not get a bank loan to purchase the property and the seller of the property does not want to or can not enter

¹⁵IFC: Lizing 2011: Obshietendencii (Bishkek 2011) 2-7

¹⁶ http://www1.ifc.org/wps/wcm/connect/REGION_EXT_Content/Regions/Sub-Saharan+Africa/Regional+Programs/AfricaLeasingFacility/AboutLeasing/

¹⁷GRAZHDANSKIY KODEKS KYRGYZSKOI RESPUBLIKI [Civil Code][KODEKS] art 603(KYR)

into a contract of sale on credit. In this case, the buyer uses the services of a credit institution, financial leasing. The leasing company buys the property as defined entity, the seller of the property and then leases the property to lease entity that wishes to purchase the property. A lease agreement between the leasing company and the buyer of the property is a lease-purchase, by which at the end of the lease the tenant (the buyer of the property) can buy the property right over a certain amount, as agreed at the beginning of lease transaction. Its purchase price - this is actually rents paid for the rental, plus a lump sum (or the residual amount) paid after the end of the contract.¹⁸

Leasing companies are major financial institutions that have any significant capital that they can afford a loan, or an opportunity to get a bank loan at rates lower than those typically found for businesses to obtain credit. Leasing company usually has the skills and experience of the practice of lending for the purchase of certain types of equipment, and often tend to be more effective than the banks in providing credit to these types of equipment. All in the end, the buyer, paying regular payments and the residual amount of the property, usually pays more than it would have paid if the money is taken directly from a commercial bank to immediately pay the full amount of the purchase the seller. However, this extra cost is often worth the cost to the customer, who may not want to buy the property at the end of the lease term, or, conversely who could not have afforded to pay up front the purchase price, can not borrow money from a commercial bank.¹⁹

GRAZHDANSKIY KODEKS KYRGYZSKOI RESPUBLIKI [Civil Code][KODEKS] sec.6.chap.27(KYR)establishes the basic mechanisms for the implementation of financial leasing. In Paragraph 6 specifies leasing as a secured transaction (mortgage), which must be registered with the leasing company, so that the leasing company

¹⁸Matthew Fletcher, Rachel Freeman, Murat Sultanov, and Umedjan Umarov:Leasing In development IFC(2005 Washington DC)2-5

¹⁹IFRS: What do the proposed lease accounting changes mean for financial institutions?(September 2010) 1-5

had a lien creditor is before the subsequent purchaser who registers a collateral agreement to the property buyer. This requirement is clear from GRAZHDANSKIY KODEKS KYRGYZSKOI RESPUBLIKI [Civil Code][KODEKS] art 563(KYR), which states that the lease-purchase is subject to state registration.

Kyrgyz Republic produces up to one million tons of fruits and vegetables in one year, with no more than 5% of the output is processed country. In addition, the country produces about 100,000 tons of meat products, which are currently not recycled, and only 20% of the produced milk products brought to the processing, with most of the milk in the form of raw material goes into the neighboring republics. Fleet of vehicles and agricultural producers deteriorated by 90%, this is a very strong effect on productivity, yield, harvest preservation, given all this, from the producers felt a great demand for mechanization of agricultural production, including small machines, processing equipment, fertilizers and other related products for agricultural use. Along with this, at the moment, the country has a significant disadvantage with respect to quality and not expensive agricultural machinery (tractors, combines, planters, cultivators, sprayers, spreaders of organic and mineral fertilizers, etc., mounted and trailed machines), equipment for food processing industry and other equipment for the important sectors of the economy, as well as for small and medium businesses. Thus, the technical support to agriculture is currently at a very low level and is worn by 90-95%. According to SE "Kyrgyzresources" general need for agricultural machinery country exceeds \$ 25 billion soms, and the annual minimum requirement in the most popular technique for leasing in the Kyrgyz Republic is more than 10,000 pieces of equipment, valued at more than 2 billion soms. It's almost 1000 different brands of tractors, combine harvesters and over 100 hundred other types of agricultural machinery for agriculture. There is also a need for road-building equipment. According to the Ministry of Transport and Communications, the percentage of wear of road machinery in Kyrgyz companies is 80-85%, and the required

number reaches almost 1.5 thousand units of various equipment. Also worth considering and the need for medical and industrial applications.²⁰

Leasing is a long-term financial instrument for the procurement of machinery, equipment, vehicles, and/or properties. Leasing provides financing of asset equipment, vehicle rather than direct capital. Leasing institutions (lessors) banks, leasing companies, insurance companies, equipment producers or suppliers, and nonbank financial institutions—purchase the equipment, usually as selected by the lessee, providing the equipment for a set period of time to businesses. For the duration of the lease, the lessee makes periodic payments to the lessor at an agreed rate of interest. At the end of the lease period, the equipment is either transferred to the ownership of the business, returned to the lessor, discarded, or sold to a third party.²¹

Many of people cannot differentiate the leasing from the rent.

Differences of Leasing from Rent:

- 1) Lessee pays the insurance of property, its maintenance, compensate the owner for loss or damage to property;
- 2) In case if property defected, Lessee could claim the vendor. In this regard, the term leasing transaction in parallel provides warranty provider for maintenance of equipment.

From an economic point of view, leasing is similar to the credit provided for the purchase of equipment. With a loan of fixed assets a borrower makes on time payments of debt.²²

²⁰IFC: Lizing 2011: Obshietendencii (Bishkek 2011) 7-21

²¹Matthew Fletcher, Rachel Freeman, Murat Sultanov, and Umedjan Umarov: Leasing In development IFC(2005 Washington DC)2-5

²²http://wiki.answers.com/Q/What_is_the_difference_between_renting_and_leasing

The bank retains ownership of the object until the full repayment of the loan is completed. In leasing the lessee takes possession of the leased property only after the expiration of the contract and payment of their full value of the leased property. However, this similarity is characteristic only of financial leasing. Other types of leasing - operational - are more similar to the classic rental equipment. In its legal form the lease deal is a kind long term rental investment property. A clear definition of leasing operations is of great practical importance, since non-compliance with the statutory rules of its design, it can not be recognized as a leasing transaction, which is threatened by members of the operation a number of adverse financial implications.²³

Leasing provides a means for delivering increased domestic investment within economies. By developing additional financial tools such as leasing or mortgages, countries are able to deepen the activities of their financial sector by introducing new products and/or industry players. The key benefit of leasing, however, is the access it provides to those that do not have a significant asset base by enabling small enterprises to leverage an initial cash deposit, with the inherent value of the asset being purchased acting. This manual does not address the pros and cons of leasing versus secured lending. Preferences may vary depending on a number of factors including legislative framework, cost, level of financial market development, availability of diverse financial instruments, etc. Small businesses are a portion of the population that may not have other assets that can act as collateral for loans or other types of secured lending within countries where unsecured lending is not an option. By developing leasing, smaller scale entrepreneurs can become more economically active by enabling access to finance and subsequently access to income-producing assets. Also leasing offers an important advantage in countries with weak business environments, particularly

²³USAID: Comments for Civil Code part II KR art 603

those with weak creditors' rights and collateral laws and registries, for instance, in countries where secured lenders do not have priority in the case of default. Leasing is an instrument that allows participants to manage or allocate risk. One considerable advantage is that, where feasible, leasing often allows participants to allocate certain risks (for example, residual value risk) to those parties that are best able to bear that risk.²⁴

D. CONCLUSION

In the first chapter author tried to show the historical development of leasing operations and its use in ancient times. Practical aspects are already based on historical practice, purpose of research to find the logic of use. Author prefers to give real practiced historical facts based on US, because leasing development process on that country was excellent.

The author considers the issue of leasing as an investment activity, definitions presented are based on the investment activity and notion of leasing based on international investment interest. Author more considers economic issues and statistics, because in financial contracts we need economic justification of operation, than start to build up the legal conditions.

In spite of complex financial issues, author believes that it will be the fundamental base for the thesis.

²⁴Matthew Fletcher, Rachel Freeman, Murat Sultanov, and Umedjan Umarov: Leasing In development IFC(2005 Washington DC)2-5

CHAPTER II: CONCEPT OF LEASING IN THE KYRGYZ REPUBLIC

A. INTRODUCTION

This chapter will deeply describe the concept of leasing operations in Kyrgyzstan. It will discover different alternatives and types of leasing relation. It will then go into a very basic synopsis of each of these processes beginning with generally used relations in leasing. It will then briefly discuss some reasons why crediting has historically been so popular and the method of choice in equipment acquisition in industry. It will also discuss leasing and some questions that should be asked when deciding whether to lease or credit.

According to the research made by the author of work, leasing in Kyrgyzstan is not the part of the political program which consists of certain activities related to the leasing. It is an actions made in order to eliminate the contradictions in the law related to the leasing operations. In a practical aspect of work it is based on the project activity of the International Finance Corporation (IFC), which is working in order to harmonize the law related to leasing and ready to finance the leasing institutions.

In comparison with the credit operations, government is systematically reforming the banking legal system and attracting foreign financial institutions for development of the credit relations. On the other hand, there is only IFC initiation regarding to the reforms on leasing operations.

Author believes that government should build the fair conditions for all financial instruments in order to give consumers rights of choice. If government will work on leasing development in equality as in credit operations it should give positive results. In spite of work of government on eliminating a barriers and contradictions in law related to the leasing operations, author find out some of them and made recommendations of elimination.

“Transformation under the influence of scientific and technological progress the production and circulation of deep changes in the economic conditions of management necessitates finding and implementing innovative for the economy of our country's methods of updating the material and technical basis and modifications of the basic foundations of subjects of different forms of ownership”¹. One of these non-traditional methods is leasing. Place of leasing business is determined primarily by the leased item and counted as important elements of active fixed assets - machines, equipment, vehicles and other means.

“Until the early 60's leases in foreign countries is largely due to retailers, who often rented their premises. In the last three decades the popularity of leasing has increased dramatically, and instead of taking the money to buy an airplane, computer, reactor or satellite company can take it on lease. Air and rail leasing companies charge a huge amount of equipment, many companies and motels charge to lease the property, and various shops - buildings and warehouses. Even businesses utilities turned to leasing, because for them it is increasingly difficult to borrow money on credit.”²

Relevance of leasing development in Kyrgyzstan, due, above all, unfavorable condition of the equipment (A significant proportion of obsolete equipment, low efficiency of its use, insufficient spare parts, etc.). One solution to these problems can be leased, which combines elements of trade, credit and investment transactions.

B. TYPES OF LEASING

“Leasing - this type of activity, aimed at investing temporarily idle or borrowed funds, when a financial lease (leasing) the landlord (lessor) agrees to

¹ <http://www.bibliotekar.ru/bank-6/30.htm>

² Sapozhnikov V.N: Uchebnoe posobie: Lizing: znachenie, sushnost, vozmozhnosti Moskva 2000, 45-47

acquire ownership of the property from the contract due to a particular vendor and give the property the tenant (lessee) for a fee temporary use for business purposes.”³

Any definition of leasing is limited and does not take into account all forms of manifestation of this new lending instrument, but it is still possible to bring one more thing - the definition of the European Federation of National Associations of equipment leasing (Lease europe): "Credit - is a lease of the plant, industrial goods, equipment and real estate to be used in production for the tenant, while the goods are purchased by the lesser, and he reserves the right to property. "

Lease is an agreement between the property owner (lessor) and the lessee to transfer the property to use for a specified period at a set rent paid annually, quarterly or monthly.

Leasing distinguish operational and financial:

“Operational leasing involves the transfer of property in use reusable for up time shorter than its economic life. It is characterized by short duration of the contract (up to 3 - 5 years) and lower amortization of the equipment during the lease term. After the expiry of the equipment may be subject to a new leasing contract or returned to the lesser.”⁴ Usually in the operating lease rent construction equipment (cranes, excavators, etc.), transportation, computers, etc.

“Financial leasing is characterized by a long term contract (5 to 10 years) and the amortization of all or most of the cost of equipment. In fact, financial leasing is a form of long-term credit purchases. After expiration of the financial leasing contract the lessee can return a lease extension agreement or enter into a new, as well as to buy a leasing residual value (usually it is purely symbolic).”⁵

³http://www.leasingportal.ru/liz_17.shtml

⁴<http://www.ngpedia.ru/id126873p1.html>

⁵http://www.expert-leasing.ru/about_leasing/lizing_osnovnye_ponyatiya_vidy/

“On the objects of leasing transactions is divided into leasing of movable and immovable property. When leasing real estate, landlord builds or buys real estate on behalf of the tenant and grants used for commercial and industrial purposes is also, as in transactions with movable property, the contract is usually for a period of less than or equal to the amortization period of the object, the tenant bears all the risks, costs and taxes during the term of the contract.”⁶

“With respect to rental property can be identified net lease agreement when additional maintenance costs of leased property takes on a tenant, and the full lease agreement whereby the lesser undertakes maintenance and other costs associated with the transaction object.”⁷

Based on the characteristics of the organization of relations between the borrower and renting a direct lease, where the manufacturer or owner of the property acts as a person in that position it out, and indirect, in which the sale is conducted by a third party.

“According to the method of financing differs term lease, which is a one-time rent, and renewable (revolving), which extends the lease agreement at the end of the first term of the contract.”⁸

Other types of leasing in practice:

“Leaseback is the sale of an industrial enterprise of his own property leasing company with the simultaneous signing of the agreement on its lease.”⁹ In this operation, only two participants: the tenant of the property (the former owner) and the leasing company (the new owner). This transaction enables the company to receive money from the sale of the means of production, without interrupting their operation,

⁶<http://www.bibliotekar.ru/bank-5/12.htm>

⁷<http://www.bibliotekar.ru/valyutno-creditnye-otnosheniya/106.htm>

⁸<http://www.promleasing.biz/book/economic.php?page=6>

⁹<http://globetrade.ru/section-4/476/>

and use them for new capital investment. The profitability of this operation will be higher than the income from the new investment more than the amount of lease payments. Leaseback transactions cause a decrease in the balance of the company, because they lead to a change in the ownership of the property.

By such a transaction can be invoked even when the enterprise is rather low level of income, and therefore, it can not take full advantage of the benefits of accelerated depreciation and tax revenue. It commits the transaction, and the leasing company gets its tax benefits. In response, it reduces the rate of rent.

Since often the leasing company does not have enough funds for leasing, it may involve them. This operation is called leasing with additional funding. "It is estimated that over 85% of all leases are leases with fundraising. Landlord takes a long-term loan from one or more creditors amounting to 80% of the cost of leased assets (non-recourse to the tenant), and rents equipment and secures study. Often leasing is not directly, but through an intermediary."¹⁰ The main landlord receives a preferential right to receive lease payments. "The contract usually stipulates that in case of bankruptcy of the third link (mediator) the rent will flow directly to the main lesser. Such transactions are called 'sub-lease.'"¹¹

"A variety of leasing transactions were "double din" used in the international sphere. Their meaning is a combination of tax benefits in two or more countries."¹²For example, in the early 80's purchase of a number of aircraft were credited by "double din" between the U.S. and the UK. "The benefits of tax credits in the UK more, if the landlord has the right to property, as in the U.S. - if the landlord has only the right of

¹⁰ <http://www.lawmix.ru/comm/3161/>

¹¹ http://www.frskuban.ru/index.php?option=com_content&view=article&id=3029:2010-05-27-08-40-44&catid=49:2009-09-28-06-53-44&Itemid=115

¹² http://kommersant.org.ua/book_o051_page_6.html

ownership. Leasing company in the UK buys aircraft, giving it out American leasing company, and that, in turn - the local airlines.”¹³

In recent years the practice has spread an agreement between manufacturers and leasing companies. In accordance with these agreements on behalf of the manufacturer of the leasing company offers customers financing the supply of its products by means of leasing. Thus, “the leasing company uses the distribution network provider and the provider expands the boundaries of marketing. These transactions, known as "helping to sell" (sales-aid)”¹⁴.

“With a constant and close cooperation with companies leasing companies may conclude agreements on the provision of "leasing lines" (lease-line). These agreements are similar to bank credit lines and allow the tenant to take extra equipment on lease every time without a new contract.”¹⁵

In the Kyrgyz Republic the main document governing the leasing activity is the provision of leasing operations and the status of the leasing contract, was a decree of the government of the Kyrgyz Republic of April 2, 1995 112, however later “Law on Financial Rent” was accepted by Jogorku Kenesh and acting due to nowadays.

It give the basic concept of leasing and leasing contract, objects and subjects, whether transaction, the basic types of leasing and its form, organization and equipment leasing transactions.

According to law under the lease understood - long-term lease of property, plant, equipment, buildings and structures with a view to their use in production, while maintaining ownership of them by the lesser for the duration of the leasing contract.

¹³ <http://vededstud.ru/otvety-na-voprosy-po-ved/118-osobennosti-i-preimushhestva-lizinga.html>

¹⁴ http://abc.vvsu.ru/Books/orgz_kom_dejat/page0013.asp

¹⁵ <http://www.guma.oglib.ru/bgl/7423/63.html>

The object of the leasing transaction can be any type of property if it is not destroyed in the loop.

The subjects are divided into leasing direct participants and indirect.

The direct participants in the leasing transaction are:

- lesser (leasing company)
- lessees (legal or natural persons)
- suppliers.

Indirect participants include commercial leasing transactions and investment banks, insurance companies, brokers and other intermediaries.

Law defines two main types of leasing - operational and financial and gives their essential features, they need to follow. For operating leasing characterized by the following main features:

- The lease agreement is for a period of much less than the time a financial deterioration of the equipment and may be terminated by the lessee at any time;
- The rate of the lease payments are usually higher than for financial leasing;

The objects of the transaction are primarily the most popular types of machines and equipment. Financial leasing is characterized by the following main conclusions of features:

- The leasing company acts as a sponsor;
- Participation in the transaction by a third party (the manufacturer or supplier of the object of the transaction);
- The impossibility of avoidance during the main period of the lease;
- Duration of the lease agreement is close to the useful life of the transaction;
- The amount of the lease payments is required to reimburse the full cost of amortization of equipment, or most of it, the additional costs and income lesser;
- Objects of transactions are highly valued.

Among the major forms of leasing transactions listed below, along with well-known as a classic or a standard return, compensation, with the assistance of funds (leverage), non-traditional are:

- Leasing provider - a seller of equipment is the lessee, as in the lease-back, but the leased property is not used to them, and the other tenants (sublease);
- Group (share) leases - as lesser serve several companies.

Leasing companies can use to buy the property for long loans of up to 80 percent of the lease assets. In the organization and equipment leasing identified key documents-whether transaction, - the lease agreement, the contract of sale or order for the delivery of the object of the transaction, the protocol acceptance of a deal.

In addition, the basic features that will be present in the leasing contract, the rights and obligations of the parties, the types of lease payments, the order of early termination of the contract.

Among the features of this decision are the following:

- Can be installed irrevocable period - the period during which the agreement is not subject to cancellation if there is no violation of its terms by the parties of a treaty;
- Loss of or inability to use the facility to continue leasing transaction does not release the lessee from the lease payments.

Insurance of leasing in operating lease shall lizingoda-Tel, the financial - the lessee.

In contrast to the Russian legislation in the Kyrgyz Republic, the position of the leasing of the following features:

- Regulates both financial and operational leasing;
- Requires the leasing company when buying property, lease, use at least 20% of equity.

C. FEATURES OF LEASING

Cause of the widespread leasing is the number of its advantages over conventional loans:

- a) Lease assumes 100% financing and requires an immediate start payments. For conventional loan to purchase property, an entity would have about 15% of the purchase price to pay for its own account. The leasing contract is for the full value of the property. Lease payments are usually begin after delivery of the tenant of the property, or later.
- b) It is much easier to get a contract to lease than a loan. This applies particularly to small and medium enterprises. Some leasing companies do not even require the tenant any additional warranty. It is assumed that the transaction is providing the equipment. Fail to fulfill their obligations tenant leasing company immediately takes their property.
- c) The lease agreement is more flexible than a loan. The loan is always offering a limited time frame and size of maturity. In leasing tenant can expect delivery of their income and work out with the landlord the right one, it comfortable for a financing scheme. Payments can be monthly, quarterly, etc., the payment amounts may differ from each other. Sometimes redemption can be performed after receiving the proceeds from the sale of goods produced on equipment leased. The rate may be fixed or variable.
- d) The risk of obsolescence of equipment entirely at the landlord. The lessee has the ability to continuously update its fleet of equipment.
- e) In the case of a lease the lessee can use immediately much more capacity than the purchase. Temporarily released by leasing money he can spend for any other purpose.
- e) Since the lease has long served as a vehicle sales and production development, the government policies are generally aimed at the promotion and expansion of leasing operations.
- g) Benefits excluding leased assets. The basic principles Euro lease (Leaseurope - Association of European leasing companies) to include leasing tenant is the publication of its financial obligations under the lease agreements.

It is believed that the publication of the tenant of its obligations will play an important role in the assessment of its financial position. Digital information on liabilities at balance sheet date to meet all the demands of others. This publication may be made by an amendment to the balance sheet. In many countries, legislation provides for companies required ratio of equity and debt. Since the property by leasing transaction will be accounted for on the balance of the landlord, the tenant may expand its production capacity without affecting the ratio.

h) The International Monetary Fund does not consider the amount of leasing transactions in the calculation of the national debt, that is, it is possible to exceed the limits of credit debt established by the Foundation for individual countries.

Several words can be said about the disadvantages of leasing:

- 1) If the equipment is taken in leases and it is outdated with the passage of time until the end of the lease agreement, the lessee continues to pay lease payments until the end of the contract.
- 2) When operational leasing risk of obsolete equipment falls on the landlord, who is forced to take for it a large fee to the lessee.
- 3) Another disadvantage of financial leasing is that in the event of equipment failure, the payments are made on time, regardless of the condition of the equipment.
- 4) If the object of the lease agreement is a major and unique facility, in connection with a wide variety of conditions of lease transactions preparation of contracts on their lease requires significant time and resources.

D. LEASE AND LICENCE CONTRACT

Leasing - the operation of a fairly complex organization. In many transactions have been at least three contracts:

- Between the tenant and the landlord;
- Between the supplier and the lesser;

- Between the landlord and his bank.

Usually, before the transaction is made a thorough analysis of the client, which includes:

- Assessment of the client's ability to pay its rent payments and income from its prior use of the leased equipment;

- Assessment of the goods (the demand for them in terms of a possible sale of resold).

If it is an international leasing, are especially important: choice of currency of the contract, the risk assessment to exchange rate, the customs regime of the tenant, the tax on the company applied to the lesser, there is an agreement on non-use of double taxation between the two countries, the protection of property rights in the country of the foreign landlord rent-General.

When leasing with additional funding particularly acute issues liens, insurance, various guarantees. Also important are the provision of technical warranty.

There are three options for the purchase of equipment leasing:

- 1) the landlord pays the supplier and conveys to the lessee the right to use;
- 2) The tenant may arrange for delivery of equipment and then sell it to the lesser (but the supplier's rent);
- 3) landlord tenant assigns his agent to order goods from the supplier.

In the first version landlords often do not want the supplier has been advised of the assignment, as they fear that it may affect their relationship. In the second version the landlord must make sure that the purchase is made correctly, that the product is nowhere laid, not imposed commissions, etc. In the third case, we must remember that if a tenant acts as an agent, he will be responsible in the event of bankruptcy of the landlord.

The landlord must make sure that as soon as the supplier to deliver the goods, the tenant would be ready to accept it, monitor it and pay for it rent. Therefore, the leasing

company is particularly interested in close cooperation with the tenant and finally the so-called "master agreements" with him. Throughout the contract leasing company exercises control over the proper use of the equipment.

In the lease is very important to guarantee that by the end of the contract equipment will have a residual value. There is a system of residual value insurance in order to execute this. Repayment of lease obligations may be either in cash or in another form. Thus, the leasing in developing countries often use elements of barter. On account of the lease payments are goods produced by the tenant (oil, diamonds, leather and so on). But we need to involve a third party, which will be responsible for the sales of these goods for hard currency. It should be noted that in the leasing of movable property in recent years have been developed, albeit with some nuances, the standard types of contracts, while in the leasing of real estate the individual items of the contract is usually on an individual basis taking into account the size of the site and a longer period of concluded contracts. However, almost any lease contract should include the following elements:

1. Object.
2. Delivery time.
3. The term of the lease.
4. The ownership landlord.
5. Risks, responsibilities, technical guarantee.
6. The equipment.
7. Maintenance, repair and modification.
8. Losses, accidents.
9. Insurance.
10. Rents Commission.
11. Penalties for late payments.

12. A buying opportunity.
13. Conditions for terminating the contract.
14. Return of the equipment.
15. Taxes, duties.
16. The emergence of new circumstances.
17. Additional rights of the parties.
18. Settlement of disputes and arbitration.
19. Hindering conditions (contract comes into effect only after receiving guarantees, etc.).
20. Obligation to provide the necessary information (such as balance).
21. Signatures of the parties and those who subsequently successor.
22. Address location of the parties.
23. Guaranteed residual value.
24. Bank guarantee.

E. ALTERNATIVES: purchase, loan or lease

Lease cost may be lower than or equal to value of the loan only if certain tax benefits. If businesses choose (or buy equipment with loans or take it on lease), he has to compare the costs of each mode of lending. In this case, the inevitable question of principle, based on a comparison to be made, since the payments are the same size, but different in time, it is not clear-cut. This principle is the financial equivalent payments. Such payments are considered to be equivalent, which, when brought to the same point in time, are equal. Reduction process is called discounting, and the amount received - net present value (net present value).

In international practice, the determination of the net present value of the payments, the formula of discounting:

$PV = FV * DF$, where

PV - the present value;

FV - the future value;

DF - the discount factor.

To compare two versions of funding is necessary in each case to calculate the net present value. Please note:

- Tax credits in each case;
- If the object is not owned, you can not use depreciation benefits;
- If the object is purchased, then the firm has to pay maintenance costs (in many countries, these costs are deducted from taxable income), and if the object of leasing, it depends on the agreement;
- Because the object does not belong to the tenant, he loses the right to the residual value.

Calculations, and, therefore, the decision is largely dependent on what percentage of the discount will choose CEO.

G. INTERNATIONAL PRACTICE

The role of leasing in the economies of Europe According to the Association of European leasing companies Leaseurope total volume of leasing operations in 25 countries - members of the association in 1994 amounted to 85.3 billion ECU (these figures have not yet been confirmed by official statistics). This year for the first three years after the fall of the year of continuous recovery in the leasing market. C 95, 2 billion ECU in 1990 to 1993 the volume of transactions fell by nearly 16%.

“In 1994, industrial production in the 12 EU countries increased by 5.2%. Therefore, an increase in economic activity and immediately caused a 7-percent increase in the volume of leasing operations.”¹⁶

The overwhelming majority of leasing operations in the countries - members of Leaseurope make deals with movable property. However, the statistics for the last 9 years has

¹⁶ <http://stud24.ru/civil-law/lizing-v-rk/421623-1467831-page3.html>

shown that there is a weak, but it is a distinct trend towards leasing of real estate. Interestingly, this trend has continued during the recovery period, and during the recession: In 1986, the share of personal property in the total volume of leasing transactions accounted for 87%, and in 1990 - 83.1%, in 1994 - 81.3% . Despite the impressive volume of leasing operations in the whole country Leaseurope, the performance of individual countries may differ literally an order of magnitude. It is noteworthy that any connection between the presence of specific legislation on leasing and volume of activity does not exist. For example, in Germany, where leasing activity is regulated by a special law, the share of leasing in the total investment is average - 15.8% in 1994. However, in absolute terms, Germany is the pan-European leader in terms of leasing operations, last year movable property leasing volume was 19.2 billion ECU and real 5.7 billion ECU. France and Portugal, have dedicated leasing laws, show relatively modest rates of the volume of leasing transactions - ECU 8.9 billion and 1.1 billion ECU respectively. At the same time the Swedish government, faced with a decline in the three-year lease (from 2.7 billion ECU in 1992 to 1.8 billion ECU in 1994), to actively develop leasing legislation.¹⁷

Leader by share of leasing in national investment are the two major states - Ireland (46%) and England (35.8%). The nominal amount of leasing operations in England almost as German - 18.853 billion ECU. In Ireland, this figure considerably fewer - 1.05 billion ECU. The third group includes the countries of Eastern Europe, where for obvious reasons leasing has just begun to develop. Their absolute amounts and proportions of very low, but there is a clear upward trend. The only exception is the Czech Republic, where last year the volume of leasing operations reached 817 million ECU, which is more than in, say, Norway and Greece. And in terms of the proportion of the Czech Republic was fourth among all countries Leaseurope. Obviously, such a broad comparison with other former socialist countries the

¹⁷<http://www.leaseurope.org/>

spread of leasing in the Czech Republic due to the fact that its economy dominated by the private sector.¹⁸

H. CONCLUSION

Leasing in Kyrgyzstan - a relatively new activity. To encourage investment in the manufacturing sector, to upgrade industrial capacity, to improve the competitiveness of domestic producers of our country needs to develop leasing relationship. But you need to create the appropriate conditions. The experience of other advanced countries, it pays close attention to: legislation, tax incentives, etc.

Our producers and entrepreneurs to create the conditions under which they would seek to develop this type of activity. To do this, first of all it is necessary to seek the emergence of leasing transactions with a fairly long term (at least 3 years). After all, such agreements will carry a real investment in the economy.

I think the government should first of all if not free, at least to reduce to two or more taxes on the profits from the sale of lessers leasing contracts with a validity of three years or more. You should also encourage banks to provide loans to leasing companies, who are concluding a long contract.

You also need to consider reducing the customs duties and taxes on goods imported into the territory of the Kyrgyz Republic and are protected by international financial leasing. Certainly, these measures should contribute to the development of leasing companies and operations carried out by them. It is safe to say that leasing in the country will gradually increase its speed and will play an increasingly important role in the economy of Kyrgyzstan.

¹⁸Commersant-DAILY, N79, 29 April 1995

CHAPTER III. PROBLEMATIC ASPECTS AND PROSPECTIVES OF LEASING

A. INTRODUCTION

Today leasing is simply outgrown leases and became part of the economic policy in most states, being a powerful lever. Of course, the active development of leasing relations is impossible without the participation of the state. That state is the point of support, which supports the economic lever of leasing. The main task of the state in the development of leasing, primarily, is to create a normal, viable legal framework, which should do everything possible to strengthen the leasing relationships, and creating an enabling investment guarantees and tax preferences.

Chapter mostly discover the national legal base in order to show every norm which regulate the leasing relations, barriers of development of leasing operations and prospective of leasing in Kyrgyzstan.

This chapter resuming the all information of thesis and specify on certain problems and solutions. It considers leasing as an investment activity and suggest concept of using the operation.

B. LEGAL REGULATION OF LEASING IN KYRGYZSTAN

Leasing, as a new trend in business activity in Kyrgyzstan, requires constant care taken regulations and systematic adjustment for constant monitoring of the current system of regulations, to identify provisions that prevent the development of leasing and timely solutions.

Legal regulation of leasing relations in Kyrgyzstan has been actively developed since the adoption of the Law "On Financial Leasing". Prior to that, from the early 90's.no special regulatory asset. The Civil Code of the Kyrgyz SSR contained concept of tenancy (lease), the term "lease" was unfamiliar to him.

Paragraph 6 of Chapter 27 ("Lease") of the Special Part of the Civil Code of the Kyrgyz Republic describes the leases. It consists of five articles, which are the definition of the lease agreement, the subject of the contract, the order of the Object of the contract to the lessee by the risk of accidental loss, liability of the seller.

The law "On Financial Leasing" reveals the basic concepts and definitions specific to lease, leasing relations determine the participants. Here forth the rights and obligations of the parties, and gives the basic conditions of the lease agreement, the procedure for the insurance of the leased property, the procedure for resolution of disputes between the parties, including those with international leasing, determine the structure and composition of the lease payments, the licensing requirements of leasing activity. The draft law provides for state guarantees for the implementation of leasing projects, providing participants with leasing right to determine timing of depreciation of equipment, exemption from tax payments for one year after the establishment of the company, a number of tax incentives for leasing companies operating in certain industries.

The process of leasing expresses complex of property relations in connection with the movement of property between the parties to leasing transactions. Therefore, leasing, as the economic and legal category, is a special kind of business aimed at investing temporarily idle or borrowed funds, when a financial lease (leasing) the landlord (lessor) agrees to acquire ownership of the property from the contract due to a particular vendor, and provide the property is tenant (lessee) for payment for temporary use for business purposes.

The main feature of leasing is that the lease does not give up the property, which had previously used the lesser, and the new, specially purchased by the lesser solely to lease to. For leasing characteristic that its term is approaching life cycle. At the end of the lease term in accordance with the terms of the contract the lessee has the right to acquire property in the property, renew the contract on more favorable terms, or return the property to the lesser.

Kyrgyzstan legislation provides a few more features of leasing operations:

- 1) The amount of lease payments for the entire lease period should include a full (or close to it) the value of the leased property at prices at the time of the transaction. The total amount of lease payments further includes: the amount paid to the lesser for the loans, he used to purchase property under a lease agreement, the lesser commission, the amount paid for the insurance of the leased property, if it was insured by the lesser, the lesser other costs under the contract leasing;
- 2) Leasing may be internal, when all subjects of leasing are residents of Kyrgyzstan and international, where one or more entities are non-resident leasing under the laws of the Kyrgyz Republic;
- 3) The property, leased, for the duration of the lease is the property of the lesser, except for property acquired by the leasing company for the state budget. Setting conditions of the leased property to the lesser or the lessee's balance sheet are determined by agreement between the parties to the lease agreement.

In accordance with Civil Code Kyrgyz Republic "can be leased buildings, structures, machinery, equipment, vehicles, land and any other non-consumable items. Leased asset may not be securities and natural resources. " Since the content of the lease agreement is for temporary use another thing, then leasing may be submitted only non-consumable items. To the leased asset are required to use the leased goods for business purposes.

In leasing transaction the relationship between the subjects of leasing is constructed as follows: the potential (future) the lessee is interested in obtaining specific and certain types of property (equipment, machinery, etc.), the user based on information available to it, experience, recommendations, results previously reached agreements picks disposing of the property vendor. Because of lack of own resources and limited access to credit for the purchase of property in the possession or lack of need for compulsory purchase of property

lessee reaching potential (future) the lesser having the necessary funds, the request for his participation in the transaction. This is part of lesser expressed as follows:

- Leasing company checks the price you agreed to the lessee, the current market level;
- Lesser buys the necessary lessee from the supplier or manufacturer on the basis of the contract of sale the property of the leasing company;
- Sends the purchased property lessee for temporary use specified in the lease agreement terms.

The direct participants in the leasing transaction, that is, to the subjects of leasing include:

- a) leasing company and the company - the lesser;
- b) manufacturing plants - lessees;
- c) the object of the transaction providers - equipment and other property, then there are sellers.

Indirect participants leasing transactions are commercial and investment banks, lenders and lessers to act as guarantors of transactions, insurance companies, brokers, leasing brokers. Financing the purchase of the leased property by lesser (leasing companies) at their own or borrowed funds.

Leasing is similar to a loan granted for the purchase of equipment. Indeed, the lease can be considered as property relations on the basis of credit leasing company lessee under the urgency of repayment. However, this is only one of the characteristics of the lease. Another main feature is based on property relations. When leasing property for rent is retained by the lesser and the lessee acquires it only for temporary use, that is the right to use the property is separated from the right to possession. For the possession of this right lessee pays the leasing company the corresponding amounts (lease payments), the size, type and schedule listings are determined by the conditions of bilateral leasing contract.

Feature is the possibility of the lease agreement the lessee submission requirements for the quality and completeness of the property, the timing of its delivery, and other claims arising from the sale and purchase agreement entered into between the seller and the lesser directly to the seller of the property (Art. 603 Civil Code). In this case, the lessee has the rights and duties stipulated by the Civil Code of KR for the buyer, except the obligation to pay for the acquired property as if it were a party of sale of the property.

Since in most cases responsible for the choice of the seller is the lessee, unless otherwise provided in the lease agreement, the lesser to the lessee is not responsible for failure by the seller of his obligations under the contract of sale, except when the choice of the seller in accordance with the terms of the lease agreement implemented lesser. If you choose the latter dealer lesser to the lessee shall be jointly and severally liable with the seller for fulfillment of the conditions of the contract of sale (Art. 607 Civil Code).

As to the characteristics of the leasing agreement is the fact that the duties of the lessee in the contract of sale with the seller of the property is a reference to the acquisition of property for the purpose of putting it out specific lesser (Article 604 of the Civil Code of the Kyrgyz Republic). Such an indication, along with the other terms of the contract of sale and lease, gives clarity of leasing relations, which is important for the proper application of the rules of the Civil Code. Lack of guidance on the purchase of the property does not affect the validity of the contract, but may be the basis for a claim for damages.

As a general rule, the risk of loss of or damage to property, it is the owner, unless otherwise provided by law or contract. In the lease agreement by the owner of the leased property is the lesser. However, the risk of loss of or damage to the leased property is the lessee after the transfer of the leased property, unless otherwise provided by contract (Article 569 Civil Code).

Universal leasing company lease, rent (leasing) of various types of machinery and equipment. They provide the lessee the right to choose a supplier of equipment needed him, placing an order and receiving the object of the transaction. Maintenance and repairs are carried out either by the supplier of the lessee. In this case, the rights of the owner of the lesser has the right to inspect the property and check the package. After commissioning the lesser is required to sign the report handed over. If the protocol acceptance lists deficiencies found during acceptance, the lesser shall instruct the supplier stop it at a certain time. The lesser has the right to regularly check the state lease the equipment for correct operation.

At the organization of leasing operations under the Law "On Financial Leasing" lessee shall assume the following responsibilities:

- To take the leased asset in the manner provided by the leasing agreement;
- Timely payment of lease payments;
- To use the leased asset, in accordance with its purpose;
- To maintain the leased asset in the condition in which it was referred by the lesser, subject to normal wear and tear, and of changes in the subject matter of leasing, which are agreed by the parties;
- At his own expense to carry out the content (including the payment of necessary utility bills associated with the leased asset) and the maintenance of the leased asset, its maintenance, unless otherwise provided in the lease agreement or legislation;
- To provide easy access to the lesser the leased asset, unless otherwise provided by the contract and the laws of KR.

Lessee shall also provide the lesser with the necessary guarantees, the list of which is specified in the lease agreement.

Lessee may receive the following services from the lesser: technical services related to the organization of transport of the object of leasing to the place of his client's use,

installation and commissioning of leased equipment, maintenance, and general maintenance, advisory services on taxation, transaction processing, etc.

Under the license issued by the competent authority is understood permit a citizen or legal person to engage in a certain activity or to perform certain actions. According to Article 5 of the Law shall be subject to compulsory licensing of banking operations and other transactions by banks and organizations engaged in certain types of banking services, which include leasing operations (Law "On Banks and Banking Activity")

World experience of the legal relationship lease indicates that at the conclusion of the lease agreements the lessee undertakes to insure the transportation received in leasing equipment, its installation and commissioning, property risks.

In accordance with Article. 11 of the Law "On Financial Leasing" "lessee shall bear all the costs of the leased property and its insurance, including its liability to the lesser is ... unless otherwise provided by the lease agreement."

In accordance with Art. 603 of the Civil Code of the Kyrgyz Republic on the property insurance contract, one party (the insurer) agrees upon the occurrence of events specified in the contract (the insured event) to pay to the insured or any other person to whom the contract (the beneficiary), the indemnity agreement within a certain amount (sum insured) .

Under a contract of property insurance can be, in particular, the insured following property interests:

risk of loss (death), shortage or damage of certain property;

risk of liability for the obligations arising from injury to life, health or property of others, and in the cases provided by law, the responsibility of the contract - the risk of civil liability;

the risk of losses from business activities for violating its counterparty trader or change the terms of this activity is independent of the circumstances of the entrepreneur,

including the risk of non-receipt of expected income - business risk. The property can be insured under a contract of insurance in favor of the person (the insured or the beneficiary), which has based on the law, or any other legal contract interest in the preservation of the property. Moreover, the property insurance contract, concluded with no interest in preserving the property insured at the insured or beneficiary is invalid.

For the domestic insurance market, these types of insurance are traditional. The only thing that can complicate issues insurance leasing is that if the cost of procuring equipment leasing is so great that it requires a mechanism of reinsurance.

In Civil Code of the Kyrgyz Republic, this mechanism is provided. The risk of payment of insurance indemnity or insurance amount received by the insurer under the insurance contract, it can be fully or partially insured with another insurer (insurance) on the last contract signed with reinsurance.

To reinsurance contracts, the rules to be applied to the business of insurance risk, if the reinsurance agreement provides otherwise. The insurer under a contract of insurance (the main contract), has entered into a contract of reinsurance shall be considered in the final contract, the policyholder.

Most often resort to the mechanism of reinsurance in the supply of foreign equipment leasing, when it costs millions of dollars and there is a requirement of the foreign partner to participate in the transaction solid foreign insurance company.

Under the insurance business risks to which the risk of default on the lease payments can be insured by the entrepreneurial risk of the insured directly and only in his favor. [20]

Taxation of leasing operations in Kyrgyzstan is regulated by the tax law, however there are a lot of alternative documents which are enforceable for certain situation.

For the recognition of a financial leasing transaction for tax purposes, it is necessary to:

- Financial leasing contract has been concluded in accordance with the Kyrgyz Republic "On Financial Leasing". Thus, to determine the transaction as a finance lease shall apply the criteria set out in the Law "On Financial Leasing";

- Were leased fixed assets subject to depreciation (for tax purposes, plant and equipment - are tangible assets for a period of more than one year, the value of which at the time of the acquisition of more than 50 MCI established by law on the national budget for the financial year.

Finance leases that do not meet the above requirements are not recognized financial leasing for tax purposes, the Tax Code for financial leasing. For example, the land is not subject to depreciation and therefore, leasing of land is not considered a financial lease for tax purposes.

C. BARRIERS OVERCOME LEASING IN KYRGYZSTAN

Many projects were implemented in order to solve the problem of financing by leasing operations, however there are some aspects that have needed to reformed in order to use and actualize leasing as financial instrument and investment activity. Problems mostly appeared in transferring the property from seller to lesser and future transfer to lessee. Mostly property transfer obligestate duty and tax rate payment.

A maximum growth rate for gross domestic product is the main objective of economic development which, when achieved, will help the state to solve important social problems. However this growth should be accompanied by qualitative structural changes, including replacement of outdated fixed assets by new high-tech equipment. For Kyrgyzstan-which has been demonstrating high economic growth rates, leasing should become one of the basic mechanisms for realizing this task. Internationally, leasing is not just a crucial means of introducing new technologies, or renewing and increasing fixed assets, but also an effective way to stimulate business, ease social tensions, create additional jobs, attract investment, etc.

Why, having started at the same time, Kyrgyzstan was behind the neighbors? Around asking the main reasons hindering the introduction of leasing in our country, and the whole discussion was based on the "round table" organized by the government, IFC projects of "Investment Roundtable."

- Previously, all information on leasing, which actively spread the IFC, wore a more positive. Oh, what a nice new financial instrument we now have. However, experience has shown that for financial lease - is complex and expensive - admitted the head of the IFC project in Kyrgyzstan Fatima Eshimbekova.

- In fact, there are quite a lot of barriers. We have created a legal basis: adopted the Law "On Leasing" was amended and the changes regarding the tax code, but it was not enough. Promotion of finance leases is difficult because of taxation. For this reason, in Uzbekistan and Kazakhstan, the volume of leasing transactions is much higher than ours.

IFC has initiated a program of technical assistance for the development of leasing in the Central Asian countries as a mechanism for the growth of private enterprises. As part of it was a lot of preparatory work - media coverage, consultations for representatives of banks and commercial entities for leasing transactions. The recommendations on accounting. Indeed, four years ago, IFC brochures, reports in the media about leasing fell on fertile ground. Inspired by the emerging opportunities, serious and just beginning businessmen rushed to the banks, the project office to learn more about leasing and faster to process the deal. However, after talking with consultants and bankers, left deeply disappointed. In reality, it was much more difficult to design and operations, and receiving equipment. And, ultimately, the cost of finance leases.

Virtually none of the potential lessees are not satisfied with what they can and can now offer banks and leasing companies. In such economic situation including all aspects of

economical slowdown and political instability, government should develop the strategy of transmitting leasing operations from lease and sale contract to investment activity.

"Double taxation is a major cause of delay of agricultural machinery acquired on lease", said Deputy of Parliament, Deputy of the Parliamentary Committee on Agriculture Esen Isakov at the opening of the center one-stop shop on 18 of march in 2012.

"According to the government decree 275 tractors, purchased for \$ 5,000,000 of the funds of Turkish loan were to be released to farmers in February 2013, but March is coming to an end, and rural producers have not yet received tractors. Only today the company is the winner of the tender LLC "AvtomashRadiator" despite the fact that the Ministry of Agriculture of the money were not listed, let go 17 pieces of farm machinery on parole. The delay is due to collisions in the customs and tax codes, according to which there had been a double taxation ", - said E. Isakov.

According to him, Article 259 of the Customs Code provides that if the tractors imported by the grant line, that duty is not levied, but if the line of credit, subject to duty at the rate of 0.15% of the value of imported products and is about 3 thousand soms. Code also states that in the holiday with bonded warehouses, which are outside the customs control zone, held the secondary clearance of 0.15%, which is 3 thousand soms. Thus, the total amount of customs duties is 6 thousand soms for each tractor.

"In order to relieve farmers from double taxation, it was decided to organize the territory of the LLC" AvtomashRadiator "single window facility, which should relieve farmers from red tape, as the tractors will be dispensed without a secondary duty," - said E. Isakov.

MP also noted that today, a draft resolution under which the day will be imported and distributed at least 20 tractors.

"In order to resolve this situation it is necessary to ensure a rapid turnout of farmers for agricultural machinery, vacation which must be completed before the end of March, that is, within two weeks," - concluded E. Isakov.

Recall that only three of the 278 tractors acquired leases to farmers, have passed through the Kyrgyz border.

As reported March 14 in the Parliament deputy E. Isakov, Customs Service of Kyrgyzstan do not miss the country tractors acquired on lease to farmers, because of delays in the customs legislation. "On the border of Kyrgyzstan and neighboring countries for the time being idle 275 tractors. At the same time, farmers are turning to us, cry and complain that they can not plow their land because of the lack of necessary equipment. From the beginning, farmers were delivered only 3 tractors acquired in leasing," - said the deputy Isakov.

As previously reported, the Prime Minister of the Kyrgyz Republic Jantoro Satybaldyev early this year said that under the National Sustainable Development Strategy of the Kyrgyz Republic in 2013, farmers will be granted more than 1 million units of agricultural machinery leasing.

This situation clearly shows the problematic aspects of leasing system. Leasing is not clearly stated in law and has some point that needed to be clarified. A lot of contradictions and unclear statements in Custom code and Tax code, often between them a many collisions. More often there are situations in case of law enforcement and application of rates in customs and tax rates.

Author states the main three problems of leasing operations that needed to resolved in order to eliminate barriers in the development of leasing as investment activity. First problem is appeared in the notion of leasing operation. There are three parties in leasing relations and every transfer of property is connected with state duties mostly in cases of movable property. Transfer from seller to lesser and from lesser to lessee obliged by state duties.

Very often Banks in face of lesser built systems of termination where lessee are not in the good condition. In practice every violation of leasing contract is object to termination of contract, however in using leasing in agro or any business sector it is hard to prevent some situations. It becomes a barrier in the relationships between lesser and lessee.

Many actions and reforms made last year in order to develop leasing in Kyrgyzstan, however it did not become actual and useful. People still do not believe and want to use it. In order to actualize it government should build the special regime for taxation and custom duties. It will more influence and will make big steps in development of leasing.

D. TAX TYPES AND PREFERENCES

According to the Tax Code, the financial lease (leasing) for tax purposes is a special type of lease pursuant to a lease agreement between the lesser and the lessee, whereby the lesser provides the lessee, plant and equipment for a fee in the possession and use of the term, exceeding 12 months. In this case, the lease agreement must meet one of the following conditions:

- By the end of the lease period the ownership of the fixed assets to the lessee;
- The lease agreement provided for the lessee the right to buy assets at a price that is specified in the lease agreement;
- The lease term exceeds 75 percent of the estimated useful lives of fixed assets;
- The current amount of lease payments for the entire rental period exceeds 90 percent of the market value of fixed assets;
- Fixed assets are of a specialized nature such that only the lessee can use them without major modifications.

The benefits of a lease in the Tax Code are clear conditions expressed in numbers in the case of performance which is recognized leasing transaction for tax purposes.

For tax purposes, the transaction is treated as a purchase of assets lessee. In this case, the lessee is regarded as the owner of property, and the lease payments as payments on the loan provided by the lessee.

To the subjects of leasing special conditions may apply taxation, taking into account the specifics of leasing and the provision of exemptions from payment of certain taxes, duties and customs duties (for example, VAT, income tax and property tax) in accordance with standards established by the fiscal legislation.

Lessee, acquiring the leased asset at the lesser's right of set-off receives the appropriate amount of VAT indicated on the invoice.

With respect to the lessee the presence of scoring schemes for VAT gives him the right not to pay VAT on their sales as long as the amount of VAT on the supply exceeds the amount of VAT lessee adopted to offset the lease transaction.

The Tax Code provides for the exemption from VAT of imported fixed assets. Since the leasing of the property right arises with the lesser, then the import of equipment goods declaration will be issued in the name of the lesser.

You must enter a new draft Tax Code rules that:

- import plant and equipment under finance lease (leasing), osvobozhdetsya from VAT regardless of whether enrollment will of a business as a VAT payer;
- supply of plant and equipment under the lease agreement and the lease payments paid by the lessee supplies are exempt from VAT;
- lesser does not pay property tax on the facility lease, located to the lessee under a lease agreement with the transfer of the temporary possession of the object of leasing the lessee;
- to determine the tax base for income tax lessee has the right to deduct from the gross annual income:

- the full amount of depreciation, including accrued accelerated method, obtained by leasing fixed assets;
- interest in leasing

Thus, the Government of the Kyrgyz Republic should for the purpose of economic development of the Kyrgyz Republic and Enterprise Development provide incentives for the development of leasing and leasing activities in selected priority sectors of the economy, followed by the initiation of the bill.

Customs regulations

Customs legislation of Kyrgyzstan consists of the Customs Code, and other laws and regulations, the adoption of which is stipulated by the Code.

Customs duties

In Kyrgyzstan, the following basic customs duties:

- Customs duties;
- Customs fees (fees for customs clearance, customs escort fee, the fee for storage of goods);
- VAT on imports;
- Excise duty.

The calculation and payment of VAT and excise duty on goods transported through the customs border of Kyrgyzstan, established by the Tax Code (see chapter VAT taxation of leasing operations).

Excise tax on imported excisable goods

The object of taxation are excisable goods imported to Kyrgyzstan, the list of which is established by the Tax Code, and the rates of excise duty shall be established by the Government. Among the imported excisable goods that can be leased, subject cars.

Import customs duty

Import customs duties established by the Government of Kyrgyzstan in the percentage of customs value (from 0 to 30%) or in soms per unit of a good life. In respect of goods imported from developing countries, the rates of 75% of the installed. Goods imported from least developed countries are exempt from customs duties. The list of products and countries that are developing and least developed countries, as defined by the Government of Kyrgyzstan.

In respect of imported goods originating in countries, the country of origin has not been established, the rates of customs duties and powers of two.

Goods originating in and imported into Kyrgyzstan from CIS countries and subject to the concluded between Kyrgyzstan and CIS countries bilateral agreements, customs duty exempt.

Customs regimes

Customs regulations of leasing transactions for the leasing of such species as:

- International leasing, lessee or when the resident receives a leased asset from a foreign lesser directly or leasing company, a resident of Kyrgyzstan obtained lease from a foreign lesser to separately transfer to sub-lease, the leasing company or a resident of Kyrgyzstan passes the object of leasing foreign lessee;
- The leasing company buys a resident of Kyrgyzstan leased asset from a foreign supplier for further leasing.

In respect of goods imported to Kyrgyzstan on international leasing contract, the application of customs procedures for release of goods for free circulation and temporary admission. Release of goods for free circulation is possible only upon payment of all required customs duties and taxes. In respect of leasing such a regime is applied when the international lease agreement includes the transfer of ownership from the lesser, lessee, or in cases where the leasing company buys the leased asset from a foreign supplier for further leasing.

Temporary import regime applies to leased assets which are imported by international leasing contracts that do not involve a transfer of ownership of the lessee . Specified mode provides full (for goods included in the list approved by the Government of Kyrgyzstan) or partial (for items not included in the said lists) exemption from payment of customs duties and taxes.

The period of temporary importation shall not exceed 3 years. For items included in the "List of leased assets, to which the customs regime of temporary import of goods and means of transport ', the temporary importation established in accordance with the terms of the lease agreement.

If you change the temporary import regime for release into free circulation (for example, when you make changes to the terms of the lease agreement, providing for the transfer of ownership), customs duties and taxes to be paid in full or in view of already paid for partial exemption from customs payments and taxes. While on the leased asset, included in the list of assets that are exempt from import VAT for onward transmission to the financial leasing, VAT is not paid.

CONCLUSION

A. LEASING AS A NEW INVESTMENT INSTRUMENT

All indicated state duties and tax rates play big role in the leasing relations, because every rate is increasing the sum of price for fixet assets. Nowadays it is very important to transmit leasing into investment activity and set up preferences in state duties, tax rates and customs. In spite of all problematic aspects leasing has also positive characters.

The reason is the widespread leasing some of its advantages over other forms of investment. The main ones are: investing in the form of property as opposed to monetary credit reduces the risk of default funds, because the lesser retains ownership of the transferred property; lease requires 100-percent financing and does not require an immediate start of

payments, allowing no sudden financial stress update production facilities, purchase expensive property; often easier to get the company leasing the property than a loan to purchase it, since the leased property acts as collateral; • lease agreement is more flexible than a loan, as it provides an opportunity for both sides to work out a convenient payment plan. By mutual agreement, the lease payments can be made after the receipt of proceeds from the sale of goods produced on borrowed equipment. Payment rates may be fixed or variable; To reduce the risk of the lessee's moral and physical deterioration and obsolescence of property, as the property is not acquired in the property, but is taken for temporary use, as the lease payments are not tied to the rates of depreciation, the lessee under the leasing relationship has to do with the accelerated depreciation of property; leased property is not listed in the lessee's balance sheet that does not increase its assets and exempt from payment of tax on the property; lease payments are charged to cost of production (cost) of the lessee and therefore reduce taxable income; producer gets more opportunities to sell products, as well as limited funding often does not allow investment companies promptly update the technological system. If the enterprise alternatives - to take credit for the purchase of equipment or purchase the equipment for a certain time under a lease agreement - its selection must be based on the results of the financial analysis. In any case, the lease is virtually no alternative if: supplying enterprise has difficulty in marketing their products, and the company - the future lessee does not have a sufficient amount of own funds and can not take credit for the purchase of your specific equipment; entrepreneur just starting their own business (which is often the case in small business). However, the lease is inherent in a number of negative sides. In particular, it falls on the lesser risk obsolescence (especially if the lease agreement is not complete his term of depreciation) and for the lessee's lease cost is higher than the purchase price of the equipment. Another drawback of financial leasing is that in the case of equipment failure, payments are made on time regardless of the condition of the equipment. To encourage

investment in the manufacturing sector, to upgrade industrial capacity, to improve the competitiveness of domestic producers need to create the conditions in which they sought to develop a leasing relationship. To do this, first of all, you should seek the emergence of leasing transactions with a sufficiently long duration (three years), as it was such contracts will carry a real investment in the economy. If you do not need to release, or at least reduce the tax on the profits made from the sale of lesser leasing contracts with a validity of three years or more. You should also encourage banks to provide loans to leasing companies that enter into long-term contracts. In addition, it is necessary to consider the possibility of reducing customs duties and taxes on goods imported into the territory of the Kyrgyz Republic and are protected by international financial leasing. Of course, these measures should contribute to the development of the leasing companies and the operations carried out by them. It is safe to say that leasing gradually in our country will be more build up their momentum and to play an increasingly important role in the economy of Kyrgyzstan.

BIBLIOGRAPHY

A. HARD RESOURCES

1. Alessandro Gavazza: Leasing and Secondary Markets: Theory and Evidence from Commercial Aircraft, April, 2010
2. Chris Boobyer: Leasing and Asset Finance: The Comprehensive Guide for Practitioners, UK, 2003
3. GRAZHDANSKIY KODEKS KYRGYZSKOI RESPUBLIKI [Civil Code][KODEKS]
4. IFC, Lizing 2011, Bishkek, 2011
5. IFC: Lizing 2011: Obshietendencii, Bishkek, 2011
6. IFRS: What do the proposed lease accounting changes mean for financial institutions? , September 2010
7. Iligin.I. Lizingpriexportemashin I oborudovania, Moskva 2004
8. KanatOmuraliev, «UsileniePotenciala v gosudartstennomsektore» CKA
9. Matthew Fletcher, Rachel Freeman, Murat Sultanov, and UmedjanUmarov:Leasing In development IFC, 2005 Washington DC
10. Medetbekov.A.E, Vestnik KRSU: Investment activities to the economy of Kyrgyz Republic part 10, #7, Bishkek, 2010
11. Soros Foundation, RazvitieLizinga v Kyrgyzstane: Lizing I EkonomicheskoeRazvitie, Bishkek, 2003
12. USAID: Comments for Civil Code part II KR

B.INTERNET SOURCES

1. <<http://eng.gateway.kg/content/strategies/nprs0305/40>>
2. <<http://www.msn.kg/ru/news/6807/>>
3. <http://yqyq.net/8998-Uchet_lizingovyh_operaciiy.html>
4. <<http://www.cflbc.com/history/>>

5. <http://leasing-relationship.com/2012/09/blog-post_23.html>
6. <<http://www.cflbc.com/history/>>
7. <<http://www.banki-del.ru/2012/10/%D0%BB%D0%B8%D0%B7%D0%B8%D0%BD%D0%B3/>>
8. <http://leasing-relationship.com/2012/09/blog-post_23.html>
9. <<http://www.inleas.ru/eng/leasing1.html>>
10. <<http://www.provko.kz/articles/business/lizing-mirovaya-istoriya-lizinga.htm>>
11. <<http://www.authorsden.com/visit/viewwork.asp?id=16526>>
12. <http://www.ifs4u.com/in_the_news.php>
13. <http://www1.ifc.org/wps/wcm/connect/REGION__EXT_Content/Regions/Sub-Saharan+Africa/Regional+Programs/AfricaLeasingFacility/AboutLeasing/>
14. <http://wiki.answers.com/Q/What_is_the_difference_between_renting_and_leasing>

C.NORMATIVE LEGAL ACTS

- 1) Constitution of Kyrgyz Republic
- 2) Law «On investments in Kyrgyz Republic" of March 27, 2003 N 66
- 3) Law of the KR "On Licensing" on March 3, 1997 N 12
- 4) Law of the KR "On Joint Stock Companies" dated March 27, 2003 N 64
- 5) Law of the KR "On Subsoil" dated July 2, 1997 N 42
- 6) Law of the KR "On free economic zones in Kyrgyz Republic" of March 22, 2007 N36
- 7) Tax Code of the Kyrgyz Republic June 26, 1996 N 25
- 8) Land Code of the Kyrgyz Republic June 2, 1999 N 45
- 9) Customs Code of the Kyrgyz Republic July 12, 2004 N 87
- 10) Civil Code on May 8, 1996 N 15 and other regulations Kyrgyz Republic.