

REVIEW OF INVESTMENT LAW OF KAZAKHSTAN



Common types of Companies in Kazakhstan



- 1) Legal entity Limited Liability Partnership “LLP”;
- 2) Physical person Sole trader “ST”;
- 3) Registration of business unit under Head legal entity “Branch or representative office”..

Licenses and other approval documents



Certain types of activities are subject to licensing according to KZ law “Concerning licensing”.

General Taxation

Corporate income tax (CIT)

CIT rates:

- 20% standard
- 15% for passive income
- 10% for activity related to agricultural products

CIT payers:

- In general all Kazakhstani legal entities including foreign residents conducting business activity in KZ

The tax period:

- The payment is once per a calendar year

Individual income tax (IIT)

IIT rates:

- for dividend income 5%
- for other income 10%

IIT payers:

- individual payers (e.g. employees) having taxable income payable through a tax agent (e.g. employers);
 - self-declarations.

The tax period:

- for a tax agent – a calendar month;

No IIT advance payment

- for self-declared income – a calendar year.

No IIT advance payment

General Taxation

Pension and social contributions from a salary

Rates:

- 10% of employees income
- Social contributions rate 5 %

Payers/Period:

- employees
- employers: entities and individual entrepreneurs
- monthly payment

Value added tax (VAT)

VAT rates:

- 12% on taxable sales;
- 0% on the list of certain goods/services.

VAT payers:

- persons registered for VAT in Kazakhstan, including individual entrepreneurs, all resident legal entities, branch and representative offices, trust managers under the trust agreements and persons importing goods according to Customs Law.

The tax period:

- a calendar quarter.
- VAT declaration shall be submitted for each tax period (quarter – three months)

Investors are entitled to

use income derived from their activities at their own discretion, after payment of taxes and other compulsory payments to the national budget/exchequer, in accordance with the legislation of Kazakhstan

open bank accounts in the national currency and (or) foreign currency in the territory of Kazakhstan in accordance with banking and currency legislation .

compensation for damage caused to them by the publication of acts of public authorities which do not comply with the legislative acts of Kazakhstan, as well as from the result of illegal actions (or inaction) of these officials, in accordance with the civil legislation.

Types of investment projects

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graph TD; A[Types of investment projects] --> B[as a legal entity of Kazakhstan under the investment project;]; A --> C[as a newly created legal entity of Kazakhstan under the investment priority projects;]; A --> D[as a legal entity that implements the strategic investment project in accordance with the investment contract signed with the authorized body;];
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as a legal entity of Kazakhstan under **the investment project**;

as a newly created legal entity of Kazakhstan under **the investment priority projects**;

Priority sectors:

1. Metallurgy
2. Chemical Industry
3. Petrochemical Industry
4. Machinery
5. Production of construction materials
6. Food Industry

as a legal entity that implements **the strategic investment project** in accordance with the investment contract signed with the authorized body;

1. Investment project, criteria

open to all the types of investment projects.

3. Investment strategic project, criteria

Is an investment project functioning under a contract between an investor and the Government of Kazakhstan.

2. Investment priority project, criteria

An investment project, implemented by a newly created legal entity with the amount of investment not less than 12 000 000 usd (for June 2016), operating in a priority sector's activity.



Types of investment benefits

For an investment project (including priority projects):

- ✓ Exemptions from VAT on import of equipment and raw materials during the first five years;
- ✓ State natural grants (free land plots usage).

For an investment priority project:

- ✓ Tax advantages (exemption from corporate income tax – 0 %; exemption from property and land taxes – 0 %);
- ✓ government investment subsidies covering 30% of launching expenses.
- ✓ State natural grants (free land plots usage).

For an investment strategic project:

- ✓ exemption from corporate income tax – 0 %;
- ✓ exemption from property and land taxes – 0 %);
- ✓ Other investment advantages according to the Contract.


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graph TD; A([Stability guarantees:]); A --> B[An investor will be granted full and unconditional protection of rights and interests, provided by the Constitution, Entrepreneurial Code and other normative and legal acts of the Republic, as well as by international treaties, ratified by Kazakhstan.]; A --> C[Kazakhstan will guarantee the stability of the terms of contracts, concluded between investors and the state authority.]; A --> D([These guarantees will not apply to :]); D --> E[1) amendments to the legislation and (or) amendments to international treaties of Kazakhstan, under which the procedure and terms of import, production, sale of excisable goods are changed.]; D --> F[2) amendments and additions, made to the legislative acts of Kazakhstan for the purposes of ensuring national and environmental security healthcare and morality.];
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Stability guarantees:

An investor will be granted full and unconditional protection of rights and interests, provided by the Constitution, Entrepreneurial Code and other normative and legal acts of the Republic, as well as by international treaties, ratified by Kazakhstan.

Kazakhstan will guarantee the stability of the terms of contracts, concluded between investors and the state authority.

These guarantees will not apply to :

1) amendments to the legislation and (or) amendments to international treaties of Kazakhstan, under which the procedure and terms of import, production, sale of excisable goods are changed.

2) amendments and additions, made to the legislative acts of Kazakhstan for the purposes of ensuring national and environmental security healthcare and morality.

**Resolution of the government No. 1141
Regarding questions of privatization for 2016-2020**

1. Reduction of the state property by 15% and transfer of the assets to quasi-public (private) sector by 2021.

2. Transfer of municipal property to the private market totaling 5%.

Priority list of state property, on sale (according to the appendix No. 1):



- 1. joint-stock company «Railway Hospital of Medicine of Accidents»**
- 2. JSC «National Scientific Medical Center»**
- 3. JSC "International center of boundary cooperation «Horgos»**
- 4. JSC «Park of Nuclear Technologies»**
- 5. JSC "Sanatorium of Almaty»**
- 6. many other state organizations.**

Priority of state property, on sale (according to the appendix No. 2)



1. JSC «Korkyt Ata's Airport»
2. JSC «Kazastan Temir Zhol» national company
3. JSC «KazMunaiGas» national company
4. JSC «Samruk-Energo», as a part of which :
 - 1) Limited liability company "Ekibastuzsky GRES-1 of Bulat Nurzhanov"
 - 2) JSC «Station Ekibastuzsky GRES-2»
 - 3) Forum Muider BV (limited liability company "Athlete Komir")
5. Many other companies according to a long list.



Thanks for attention!