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Discover Kazakhstan with Esplora Consulting

The Republic of Kazakhstan is a unitary state with the Presidential system of government. The President of the Republic of Kazakhstan is a head of the state, holder of the highest office determining the main guidelines of the domestic and foreign policy of the state and representing Kazakhstan within the country and in international relations.

The Parliament of the Republic of Kazakhstan performs legislative functions and consists of two Chambers acting on a permanent basis: the Senate and the Majilis. Ministries are the central executive bodies of the Republic of Kazakhstan carrying out control over the corresponding field of the state administration. The government is appointed by the President and is accountable to him. The government is headed by the prime minister. At the cabinet level, the government is comprised of the Chancellery of the Prime Minister and 16 ministries.

Kazakhstan is a member of the United Nations, Shanghai Cooperation Organization (SCO), Organization for Security and Cooperation in Europe (OSCE), Commonwealth of Independent States (CIS), The Collective Security Treaty Organization (CSTO), Organization of Islamic Cooperation (OIC) and NATO's North Atlantic Cooperation Council.

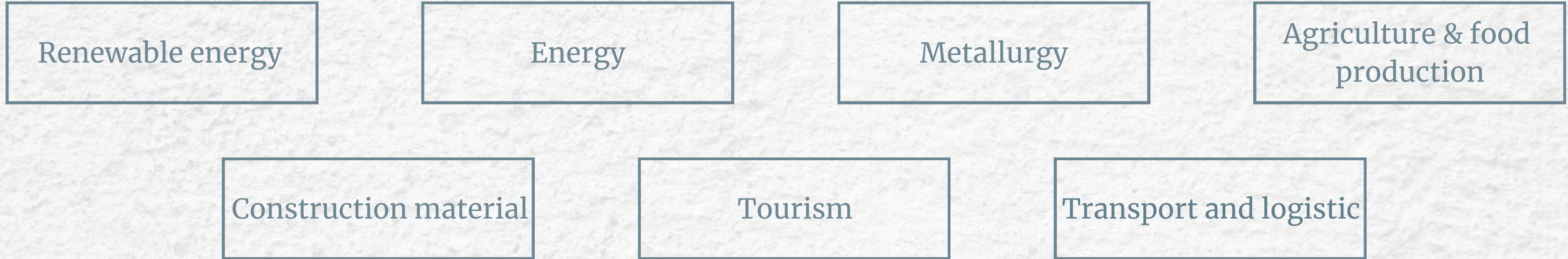
Economy

Oil and gas is the leading economic sector of Kazakhstan. Exported goods are predominantly produced by the mining, fuel, power, metallurgical, chemical and grain industries.

Kazakhstan has a unique mineral resource base. The World Bank estimates that there are over 5000 unexplored deposits still present in Kazakhstan, valued at over 46 trillion dollars. Kazakhstan is first in the world in explored reserves of zinc, tungsten and barite, second in silver, lead and chromite, third in copper and fluorite, fourth in molybdenum and sixth in gold.

In recent years, the economy of Kazakhstan has steadily outpaced average world growth rates, ensuring the progressive socio-economic development of the country. In 2019, GDP growth was 4.5%, accelerating 2017-2018 years. More than 85% of economic growth in 2019 was provided by non-resource sector of the economy. These are: construction, processing industry, mining industry, metal ore mining, light industry.

Priority economic sectors for investment projects



Investment projects

The Entrepreneurial Code of Kazakhstan (Entrepreneurial Code) defines the following investment projects and preferences for each of them:

Investment project

Investing in new production facilities, expansion and or innovation of existing production facilities.

Priority investment projects

1. Development of new production (factory, plant or workshop) in the amount of at least 2 million monthly calculation indices;
2. Expansion and/or renovation of existing production facilities, including renovation (reconstruction and modernization).

Special Investment Projects

A legal entity of the Republic of Kazakhstan registered as a member of a special economic zone or the owner of an available warehouse in accordance with Kazakhstan's customs laws, or a project implemented by a legal entity of Kazakhstan under the agreement on industrial assembly of motor vehicles.

Investment preferences under investment projects

For investment projects

- Exemption from customs duties and value-added tax for imports
- State in-kind grants for up to 30% of the investment in fixed assets (land plots, buildings, structures, machinery and equipment, computers, measuring and control instruments and devices, vehicles (except for motor vehicles)).

For priority investment projects

Construction of new industries:
✓ Corporate income tax
✓ Land tax
✓ Property tax

Expansion or updating of existing production:
✓ Corporate income tax
✓ Exemption from customs duties
✓ State in-kind grants

For special investment projects

Tax exemptions from:
✓ Income tax
✓ land tax
✓ Property tax

Special Economic Zones

On the territory of the Republic of Kazakhstan, there are 13 special economic zones with different sectoral orientations.

“Astana – New City”

Accelerated construction of a new administrative and business center of the capital;
Opening of new productions in the Industrial Park.

“Saryarka”

The development of the metallurgical industry and the metalworking industry, in particular the production of finished products by attracting manufacturers of global brands.

“Qyzyljar”

Accelerated development of the city of Petropavlovsk.

“Turkistan”

Creating a single information base for serving tourists.

“Seaport Aktau”

Creating a favorable investment climate and attracting domestic and foreign investment to implement investment projects with an export orientation.

“Park of Innovative Technologies”

Development of information technology, technology in the field of telecommunications and communications, electronics and instrumentation, renewable energy, resource conservation and efficient use of natural resources; Transportation and processing of oil and gas.

Special Economic Zones

“Pavlodar”

Development of the chemical, petrochemical productions, in particular the production of export-oriented products with high added value, using modern technologies.

“Astana -
Technopolis”

Innovative development of the city of Astana by attracting investment and using existing and attracted advanced technologies.

"Oñtústik"

Creation of highly efficient, including high-tech and competitive industries, the development of new types of products, attracting investments.

“ICBC Khorgos”

Development of cross-border trade and economic cooperation; Development of export-oriented productions.

“Chemical Park
Taraz”

Development of the chemical industry.

“Khorgos - East
Gate”

Creation of a logistics hub connecting China, Central Asia and the Middle East.

“National Industrial
Petrochemical
Technopark“

Creation and development of world-class petrochemical plants for the deep processing of hydrocarbon.

Setting up a legal presence

To create a legal presence in Kazakhstan, foreign investors may:

- Establish a branch or representative office;
- Establish a Kazakhstani legal entity that is either entirely foreign-owned, or co-owned as a joint venture with Kazakh partner; and
- Limited Liability Partnership (LLP).

A representative office is a division of foreign legal entity and is not entitled to conduct business activities that generate income in Kazakhstan. It can only carry out marketing and advertising activities, as well as other preparatory and auxiliary activities.

A branch is a division of foreign legal entity, which may carry out all or part of the functions of its parent company, including activities generating income.

LLP is a partnership with limited liability established by one or more persons or legal entities. Legal form of LLP is generally available for any type of business.

Labor relationship

Minimum salary

from 2020 is 42.500 KZT (approximately 100 \$)

Taxation of employers

Social tax - 9,5%
Social contribution - 3,5%
Mandatory Social Medical Contribution - 2%

Termination of employment

The employment contract can be terminated by an employer/employee unilaterally or upon agreement between the parties. An employer must notify an employee in writing one month in advance to termination.

Insurance guaranties for employee

Compulsory social insurance; individual accident insurance during the performance of working duties and liability insurance.

General taxation system

Tax system is regulated by the provisions of the Tax Code of Kazakhstan. Taxes payable include:

Individual income/Corporate income tax

Individual entrepreneur - 10%; Legal entity - 20%

Value added tax

Value added tax-Taxable turnover – 12%
Taxable imports – 12%

Social tax

Individual entrepreneurs and private practitioners calculate social tax at 2 times the monthly calculation indicator established by the law on the national budget and the current one at the date of payment, for oneself and 1-fold the monthly calculated indicator for each employee.

Transport Tax, Land tax, property, Environmental emission charges

Are calculated individually in each case.

Astana International Financial Centre (AIFC)

The AIFC Financial Services Authority (AFSA) was registered in January 2017 as an independent regulator of financial and non-financial services provided on the AIFC territory. Its functions include: registration, accreditation and licensing, regulation, control and supervision.

AIFC Privileges

Single window system

Visa issuance, registration, work permits.

Tax regime

Until the end of 2065 AIFC participants are exempted from the payment of Corporate Income Tax on income derived from the provision of financial and support services. Foreign employees of bodies and participants of the AIFC are exempted from the Personal Income Tax until the end of 2065.

Simplified Labour regime

Foreigners, attracted by participants and bodies of AIFC, are exempt from the obligation to obtain a work permit in the Republic of Kazakhstan.

Special visa regime

There is a visa-free regime for up to 30 days for citizens of the OECD, FSCE, Malaysia, Singapore and Monaco

English language

English is the official language of the AIFC. The development and adoption of acts of AIFC, documentation and legal proceedings are conducted in English.

Astana International Financial Centre (AIFC)

Legal and Regulatory Regime in AIFC

According to the Constitution of the Republic of Kazakhstan a special legal regime in the financial sphere within the city of Astana may be established in accordance with the Constitutional Law. In accordance with the Constitutional Law “On the AIFC”, the current law of the AIFC is based on the Constitution of the Republic of Kazakhstan and consists of:

- Constitutional Law;
- Acts of the AIFC, which can be based on the principles, norms and precedents of the law of England and Wales and / or standards of the world's leading financial centers adopted by the AIFC bodies within the limits of authority;
- The current law of the Republic of Kazakhstan, which is applied to parts not regulated by this Constitutional Law and the AIFC Acts.

Main priorities

The following key priorities will serve as the foundation for creating a favorable environment and successful development of the AIFC as the main financial centre in the region:

- English Law;
- Special Regulatory Regime ;
- Exchange Infrastructure ;
- Access to sovereign funds;
- Green Finance;
- Favorable conditions.

Sources

1. Constitution of the Republic of Kazakhstan;
2. Civil Code of the Republic of Kazakhstan (Special part);
3. Entrepreneur Code of the Republic of Kazakhstan;
4. Labour code of the Republic of Kazakhstan;
5. Law of the Republic of Kazakhstan “On special economic and industrial zones”
6. Law of the Republic of Kazakhstan “On Limited Partnerships and Additional Liability Partnerships”;
7. Tax Code of the Republic of Kazakhstan;
8. Law of the Republic of Kazakhstan “ On Mandatory Socio-Medical Insurance”;
9. Decree of the President of the Republic of Kazakhstan of September 16, 1998 No. 4071 "On the personal composition of the Foreign Investors Council under the President of the Republic of Kazakhstan”;
10. Decree of the Government of the Republic of Kazakhstan dated October 6, 2017 No. 624 “On some issues of special economic zones”;
11. Decree of the Government of the Republic of Kazakhstan dated May 13, 2009 No. 703 “On approval of the list of goods of own production (works, services) by type of activity corresponding to the goals of creating special economic zones”;
12. Order of the Minister for Investment and Development of the Republic of Kazakhstan dated February 6, 2017 No. 74 "On approval of the application form for the provision of investment preferences in the framework of the implementation of a special investment project and the rules for its acceptance and registration”.