




3.1. INVESTMENT INCENTIVES

PREFERENCES UNDER INVESTMENT PRIORITY PROJECTS

Tax preferences

-  Corporate Income Tax (10 years)
 -  Land Tax (10 years)
 -  Property Tax (8 years)
- } 0%

Investment subsidy

Reimbursement of up to

30%

of actual costs of construction and installation works and purchase of equipment

Criteria


- provided to a **newly established legal entity** (the state registration of such legal entity has been completed not earlier than 24 months before filing an application for the investment preferences), implementing a project matching the List of Priority Activities (approved by the Government);

- investments not less than two-million-fold rate of MCI.


PREFERENCES UNDER INVESTMENT PROJECTS (including investment priority projects)

Exemption from customs duties

Customs duties 0% up to 5 years on imported:

-  - major equipment and spare parts to it;
- accessories, raw materials and (or) materials.

The state grants in kind


-  Free land, buildings, structures, machinery and equipment, etc.

Criteria


- provided to a legal entity of Kazakhstan, implementing a project matching the List of Priority Activities (approved by the Government).

OTHER INCENTIVES


Stable legislation

-  Stability of tax legislation for all taxes except VAT and excise (subject to investment contract)

Investors Service Centre

-  Provides 363 public services for investors in one office on the basis of the Investment Committee of the MID of the Republic of Kazakhstan


Foreign labor

-  Without permit for the duration of construction + 1 year after commissioning of the investment project

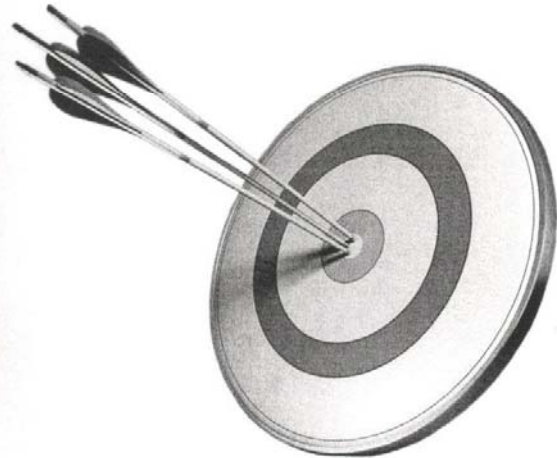
Visa-free entrance

-  Visa-free entrance for citizens of 19 countries (see Section "Arrival in Kazakhstan")

Investment Ombudsman

-  To protect the rights and legitimate interests of investors

On any questions relating to the provision of the investment preferences, please contact the Investment Committee of the MID of the Republic of Kazakhstan (<http://invest.mid.gov.kz/>).



3.2. SPECIAL ECONOMIC ZONES

A Special Economic Zone (SEZ) is a part of the territory of Kazakhstan with precisely defined borders, where the SEZ special legal regime operates for priority activities^{*}.


Kazakhstan has established 10 Special Economic Zones:

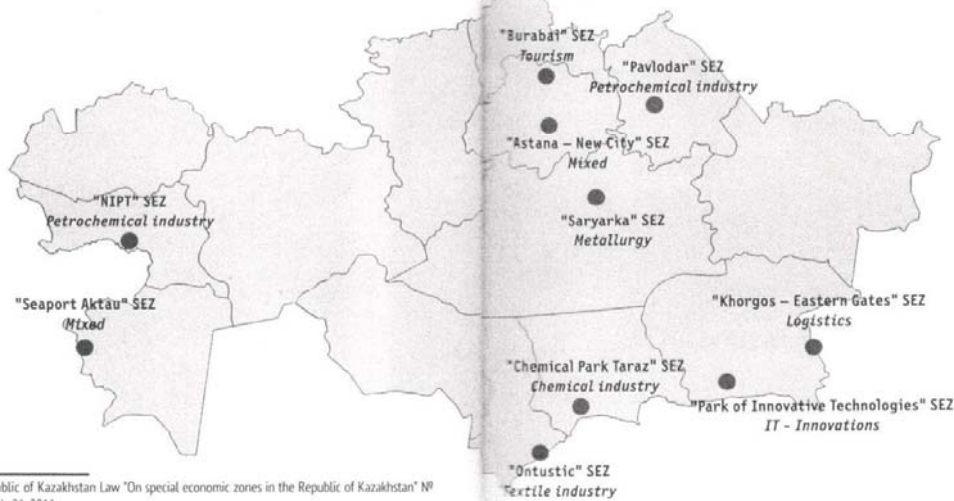
SEZ PREFERENCES

Tax preferences^{*}

	Corporate Income Tax	} 0%
	Land Tax	
	Property Tax	
	Value Added Tax (VAT) (for products consumed in SEZ)	
	Social Tax (for 5 years)	

Exemption from customs duties

 Exemption from customs duties for goods imported into the SEZ territory and exported^{**} from the SEZ territory to the rest of the customs territory of the Customs Union (CU).



^{*} The Republic of Kazakhstan Law "On special economic zones in the Republic of Kazakhstan" № 469-IV dated July 21, 2011.

OTHER INCENTIVES



Free plot of land for the entire period of existence of a SEZ
Simplified procedure for employment of foreign labor

^{*} Conditions for tax incentives:
 - registration as a SEZ member and as a taxpayer in the SEZ;
 - absence of structural subdivisions outside the SEZ;
 - income from the sale of own-produced goods under the SEZ priority activities will be at least 90% of the total annual income (for the "Park of Innovative Technologies" SEZ - 70%).
 - for Social tax, payroll expenses will be at least 50% of annual revenue and 90% of payroll expenses will be expended on Kazakhstan residents - participants of the "Park of Innovative Technologies" SEZ;
^{**} CU commodities produced (processed) by SEZ residents registered before January 1, 2012 with the use of imported components, but recognized as EAEU products, are not subject to customs duties until January 1, 2017.

SEZ MEMBERS

Who can be a member of the SEZ:

- A legal entity (including foreign one) that plans to implement projects under priority activities in the SEZ.

Who cannot be a member of the SEZ:

- 1) subsoil users;
- 2) organizations producing excisable goods, except for organizations engaged in the production and assembly of excise goods under sub-paragraph 6) of Article 279 of the Code of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget".
- 3) organizations applying special tax regimes;
- 4) organizations that apply (have applied) investment tax preferences provided for before the enactment of the Tax Code of December 10, 2008;
- 5) organizations that implement (have implemented) investment priority projects and investment strategic projects under the laws of the Republic of Kazakhstan in the field of investments;
- 6) organizers of gambling activities.

3.3. INDUSTRIAL ZONES

9 industrial zones, including 1 private:

Today 9 industrial zones (hereinafter – IZ), including 1 private one, operate in Kazakhstan:

- In Almaty region: the "Taldykorgan" IZ, the "Boraldai" IZ, the "Arna" IZ and the "DAMU" private IZ;
- In East Kazakhstan region: the "Ondiris" IZ and the IZ at Mashinostroiteli street;
- In South-Kazakhstan region: the "Ontustik" IZ, the "Kentaу" IZ and the "Turkistan" IZ.

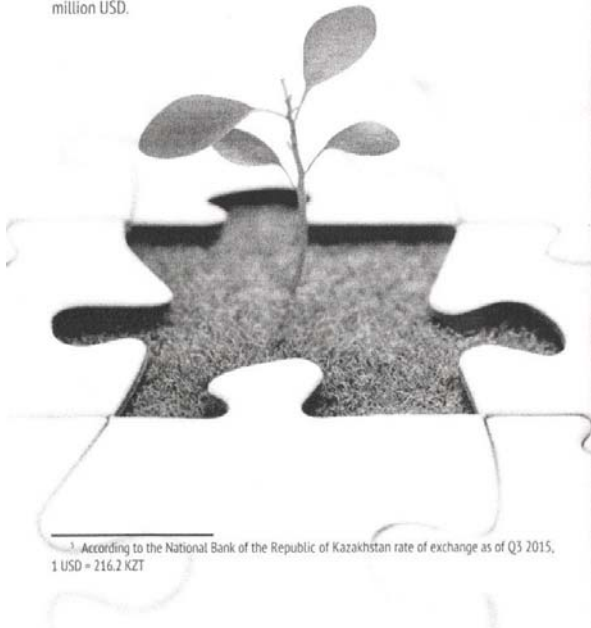
IZ are established as:

- 1) plots of land with infrastructure for the construction of buildings and facilities for production;
- 2) ready production facilities for lease or sale to an entrepreneur, including those with the industrial infrastructure of idle, suspended or off-duty production;
- 3) complex IZs, that have both land plots for construction and production facilities.

Building up the infrastructure to the IZ border and within the IZ territory is performed at the expense of the national budget with co-financing from the local budget according to the budget legislation.

Building up any missing infrastructure is performed for projects for the creation or development of IZ that meet the following criteria:

- 1) the amount of investment in the project is not less than 46 million USD¹;
- 2) the cost of infrastructure construction (reconstruction) is not less than 9 million USD.



¹ According to the National Bank of the Republic of Kazakhstan rate of exchange as of Q3 2015, 1 USD = 216.2 KZT

3.4. DIALOG PLATFORMS

1. The Foreign Investors Council under the President of the Republic of Kazakhstan (FIC).

The FIC is an advisory body which is chaired by the President of the Republic of Kazakhstan. The FIC activities are supported by the Administration of the President of Kazakhstan and the FIC working body – the Investment Committee of the MID of the Republic of Kazakhstan.

FIC members

The permanent members of Kazakhstan part are: the Prime Minister of the Republic of Kazakhstan, the Chairman of the National Bank of the Republic of Kazakhstan, Deputy Prime Ministers of the Republic of Kazakhstan, Deputy Head of the Presidential Administration or the Assistant to the President of the Republic of Kazakhstan in charge of social and economic issues, the Minister of Foreign Affairs of the Republic of Kazakhstan, the Minister for Investment and Development of the Republic of Kazakhstan, the Minister of Finance of the Republic of Kazakhstan, the Minister of National Economy of the Republic of Kazakhstan, the Chairman of the Board of "Baiterek NMH", JSC, the Investment Committee of the MID of the Republic of Kazakhstan.

The FIC members from the foreign part include CEOs or their deputies of international financial organizations and foreign companies. Currently, the FIC includes 30 companies: The European Bank for Reconstruction and Development (EU); Asian Development Bank; Arcelor Mittal (with headquarters in the Netherlands); Bank JP Morgan Chase (USA); Baker & McKenzie (USA); BG Group (UK); Deloitte Touche Tohmatsu (USA); General Electric (USA); Deutsche Bank (Germany); Eurasian Natural Resources Corporation (ERG); Eurasian Development Bank; Cameco (Canada); Lukoil (Russia); Metro Cash & Carry (Netherlands); Mitsubishi (Japan); Royal Dutch Shell (United Kingdom); Russian Aluminum (Russia); TeliaSonera (Sweden); Total (France); Philip Morris (Netherlands); Chevron (US); Exxon Mobil (US); ENI (Italy); Ernst & Young (USA); Sberbank of Russia; Anadolu Group (Turkey); Sembol Construction Company (Turkey); Polfarma (Poland); Citigroup (United States); CNPC (China).

The main criterion for admission to the FIC is to make direct investments in Kazakhstan economy in the amount of not less than 500 million USD for investors operating in the field of subsoil use, and not less than 125 million USD for investors operating in other economic sectors.

The FIC working groups

In order to fulfill tasks set to the FIC, three joint working groups have been established, dealing with:

- 1) foreign investors' operations issues;
- 2) investment policy implementation issues;
- 3) issues on foreign investors' support of innovative and technological development and diversification of the economy of Kazakhstan.

2. The Council on Improvement of Investment Climate (CIIC)

The CIIC operates from March 1, 2012 chaired by the Prime Minister of the Republic of Kazakhstan, to solve systemic problems related to the improvement of the investment climate.

The main objectives of the CIIC activities are to implement the unified investment policy of Kazakhstan that meets the priorities of economic development, to assist in attracting and efficient use of domestic and foreign investments.

The CIIC meetings are held as and when necessary, but at least twice per year within the period determined by the CIIC Chairman. The CIIC meetings may be attended by representatives of concerned state authorities of Kazakhstan, and representatives of domestic and foreign companies which are not members of the CIIC.

The CIIC members from the Kazakhstan part include a number of managers, their deputies or executive secretaries of the ministries of finance, national economy, justice, investment and development, foreign affairs, the General Prosecutor's Office and other organizations. As well, the CIIC members may include other officials of the Republic of Kazakhstan as determined by the CIIC Chairman.

The CIIC members from the foreign part include representatives of international economic and financial organizations, CEOs of foreign companies.

The CIIC's working body is the MID of the Republic of Kazakhstan, which provides organizational and technical support of the CIIC operations, including preparation of proposals for the agenda of the CIIC meetings, necessary documents and materials.

3.5. INVESTOR PROTECTION

The Entrepreneurial Code of the Republic of Kazakhstan provides various guarantees that minimize risks an investor may incur in carrying out investment activities in Kazakhstan:

A guarantee of legal protection of investors in Kazakhstan

An investor is provided with full and unconditional protection of rights and interests.

A guarantee of income use

Investors shall have the discretion to use income generated from their operations, after taxes and other obligatory payments to the budget, and to open bank accounts in the national currency and (or) foreign currency in banks in Kazakhstan, in accordance with banking and currency laws of the Republic of Kazakhstan.

Publicity of state authorities' activities in relation to investors

Official reports of the Republic of Kazakhstan state authorities and RLA, affecting investors' interests are published in the manner prescribed by the laws of the Republic of Kazakhstan. Investors are provided with free access to information on the registration of legal entities, their charters, registration of real estate transactions, and licenses issued, except for any information containing commercial and other secret protected by law.

A guarantee of investor rights in case of nationalization and requisition

Forcible seizure of investor's property (nationalization, requisition) for government needs is permitted in exceptional cases stipulated by the legislation of the Republic of Kazakhstan. In case of nationalization, losses incurred by an investor as a result of issue of the Republic of Kazakhstan legislative acts on the nationalization, shall be compensated in full. Requisition of investor property shall be made with payment of the market value of property.

3.6. AGREEMENTS ON THE PROMOTION AND MUTUAL PROTECTION OF INVESTMENTS ENTERED INTO BY KAZAKHSTAN

Today Kazakhstan signed 48 bilateral and 1 multilateral 1 (EurAsEC) intergovernmental Agreements on the promotion and mutual protection of investments.

These Agreements are aimed at creating a favorable legal environment for the promotion and protection of Kazakh investments abroad and foreign investments in Kazakhstan. They also contribute to the improvement of the investment climate and further development of mutually beneficial trade and economic cooperation between the countries.

List of countries which entered into Agreements on the promotion and mutual protection of investments with the Republic of Kazakhstan

AMERICA			
1	USA		
EUROPE			
2	Austria	10	Great Britain 18 Poland
3	Belgium-Luxembourg Union	11	Greece 19 Romania
4	Bulgaria	12	Hungary 20 Serbia
5	Czech Republic	13	Italy 21 Slovakia
6	Estonia	14	Latvia 22 Spain
7	Finland	15	Lithuania 23 Sweden
8	France	16	Macedonia 24 Switzerland
9	Germany	17	Netherlands
COMMONWEALTH OF INDEPENDENT STATES (CIS) AND THE FORMER USSR STATES			
25	Azerbaijan	28	Kyrgyzstan 31 Uzbekistan
26	Armenia	29	Russia 32 Ukraine
27	Georgia	30	Tajikistan
ASIA, AFRICA AND MIDDLE EAST COUNTRIES			
33	Afghanistan	39	Japan 45 Pakistan
34	China	40	Jordan 46 Qatar
35	Egypt	41	Korea 47 Turkey
36	India	42	Kuwait 48 Vietnam
37	Iran	43	Malaysia
38	Israel	44	Mongolia
INTERNATIONAL ORGANIZATIONS			
49	Member states of the Eurasian Economic Community (EurAsEC)		