

16 June 2014

To our clients and friends

INFORMATION LETTER
regarding Amendments
to the Legislation of the Republic of Kazakhstan
on the Issues of Investment Climate Improvement

On 12 June 2014, Kazakhstan adopted a new Law No. 209-V "On Introduction of Amendments into Certain Legislative Acts of the Republic of Kazakhstan on the Issues of Investment Climate Improvement" (hereinafter, the "Law") intended to improve the investment climate and stimulate investors' activities in priority sectors of economy.

The Law introduces amendments into the Tax Code, laws on investments, natural monopolies and regulated markets, population employment and migration.

In this Information Letter we have briefly set forth key amendments to the RK legislation.

1. Amendment of Conceptual Framework

The Law is for the first time introducing the concept of "investment priority project."

"Investment priority project is an investment project implemented by a newly established legal entity with respect to certain priority types of activities list of which is approved by the RK Government, and providing for investments in the amount of at least two million monthly calculation indices¹ established by the National Budget Law and active as of the date of filing application for provision of investment preferences."

The list of priority types of activities was approved by the Decree No. 436 of the RK Government of 8 May 2003. The Government approves the list of priority projects as a part of the list of priority types of activities for implementation of investment projects. The list of priority projects has not been adopted yet.

Going back to priority types of activities, we would like to remind that they include such types of activities as manufacture of chemical industry products, manufacture of key pharmaceutical products, manufacture of computers, electronic and optical products, production of transport vehicles, crop production, cattle breeding, etc. Please note that the activities in the sphere of subsoil use are not subject to inclusion in composition of priority types of activities.

¹ Approximately USD 20 million.



2. Investor State Support Measures

2.1. Investment Preferences

The investment preferences are provided in case a legal entity implements an investment project with respect to the types of activities included in the list of priority types of activities.

The investment preferences are provided based on investment agreement entered into between the RK authorized agency and legal entity implementing an investment project.

The investment preferences are provided to:

- RK legal entities – with respect to an investment project;
- newly established RK legal entity – with respect to an investment priority project.

The following types of investment preferences are provided with respect to an investment project (including investment priority project):

- customs duty exemption;
- state in-kind grants.

The following types of investment preferences are provided with respect to an investment priority project:

- tax preferences (exemption from corporate income tax for 10 years; exemption from land tax for 10 years; exemption from property tax for 8 years);
- investment grant (compensation up to 30% for the investor's capital expense by the state after putting facility into operation).

2.2. Additional State Support Measures

In the framework of concluded agreements on implementation of investment priority projects the Law provides for introduction of "stability" of tax rates (except for VAT and excise tax), environmental fees and payments for a period of 10 years of the date of entering into agreements with investors.

Furthermore, the investors are granted the right to engage foreign labor for the whole period of the investment project construction and one year after putting facility into operation, outside quota and without permits.

3. "Investment Ombudsman" Institute

In order to ensure protection of investors' rights and interests the Law introduces the "investment ombudsman" institute at the statutory level.

"Investment ombudsman:

- 1) *considers investors' applications with respect to the issues arising in the course of carrying out investment activities in the RK and makes recommendations to resolve them cooperating, among other things, with state authorities;*
- 2) *renders support to investors in resolving the arising issues in accordance with extrajudicial and pre-trial procedures;*

- 3) *elaborates and proposes recommendations to the RK Government on the RK legislation improvement.*"

The Law enters into force upon expiration of ten calendar days of the date of its first publication, i.e. on 24 June 2014, except for certain provisions.

4. Visa-Free Regime for Investors from 10 Countries

Speaking at the meeting of Foreign Investors Council on 12 June, the President of Kazakhstan, Mr. Nursultan Nazarbayev, announced introduction of unilateral visa-free regime for citizens of 10 countries that demonstrated high investment activity in Kazakhstan. This list includes USA, the Netherlands, Great Britain, France, Germany, Italy, Malaysia, UAE, Republic of Korea and Japan.

According to information from the press service of the Ministry of Internal Affairs, during this period citizens of these 10 countries will be able to repeatedly enter, exit and transit through the RK territory without visa for a term of 15 calendar days of the moment of crossing state border. In case there exists a reasonable necessity for a foreign citizen from the list of the above countries to further stay in the RK territory for more than 15 days, he/she will have to obtain "business" category visa from the RK Internal Affairs Authority or "investor" category visa from the RK Ministry of Internal Affairs in accordance with the procedure established by legislation.

Establishment of the visa-free regime from 15 July 2014 to 15 July 2015 is a project of pilot nature. According to the results of the project implementation, the Kazakhstan Government will make a decision on its prolongation or termination.

Best regards,

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