

KAZAKHSTAN: Special Economic Zones



2013

Submitted by Québec Silicon Limited Partnership and QSIP Canada ULC

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DEFINITION OF SPECIAL ECONOMIC ZONE

Special Economic Zone (SEZ) is a part of the territory of the Republic of Kazakhstan with precisely defined boundaries, where a specific legal regime of a special economic zone applies to the implementation of priority activities (Law of the Republic of Kazakhstan "On special economic zones in the Republic of Kazakhstan" № 469-IV on July 21, 2011)

LEGISLATIVE ACTS ON REGULATION OF SEZ ACTIVITY

In Kazakhstan the activities of SEZs are regulated by the following legal acts:

- » **Agreement on issues of free (special) economic zones** on the Customs territory of the Customs Union (CU) and on Customs procedure of Free Customs Zone (St.Petersburg, June 18, 2010) — in the part of Customs regulation on the SEZ territory.
- » **Land Code № 442-II on June 20, 2003**— regarding granting of rights to plots of land.
- » **Tax Code № 99-IV on December 10, 2008** — regarding taxation of SEZ participants.
- » **Customs Code of RK № 296-IV on June 30, 2010**— regarding Customs regulation on the SEZ territory.
- » **Law of the Republic of Kazakhstan "On special economic zones in the Republic of Kazakhstan" № 469-IV on July 21, 2011**—the main law that regulates SEZ activities.

More detailed information is located at the website www.invest.gov.kz

OPERATION OF SEZ

SEZ activity regulatory bodies

Ministry of Industry and New Technologies of the Republic of Kazakhstan is a central executive body performing the state regulation in the sphere of establishment, function and abolition of SEZs in accordance with the Law of RK dated July 21, 2011 № 469- IV «On special economic zones in the Republic of Kazakhstan».

Tax administration within the SEZ territory - the appropriate unit of the Tax Committee of the Ministry of Finance of the Republic of Kazakhstan in regard to tax regulation in SEZs.

Customs authority and the SEZ - the appropriate units of Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan in regard to customs regulation in SEZs.

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SEZ Management

In order to ensure the functioning of SEZs, except «Astana - new city», a management company - the legal entity should be created in the business legal structure of a joint stock company. The management company may be established by the Government of Kazakhstan, Akimat (local executive authorities) and private legal entities, including foreign entities.

In the case of a special economic zone creation by the initiative of state bodies, more than 50% of the voting shares issued by the management company shall be owned by the state. In that case, if the SEZ is created through an initiative of private entities, the state shall own at least 26% of the voting shares.

The management company will provide services to participants of a SEZ on the principle of the «one-stop shop», which means minimizing the participation of the applicants in the processes of collecting and preparing various documents and their interaction with officials.

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Functions of the management company of the special economic zone

1. interaction with the state authorities on the issues of functionality of special economic zones;
2. provision of land plots for the secondary land use (sublease) and infrastructure facilities for lease (sublease) to the persons engaged in ancillary services
3. conclusion and termination of agreements on the implementation of activities;
4. submission of annual reports on SEZ activities to the authorized body, in accordance with the procedures established by the authorized body;
5. attracting SEZ participants;
6. attracting investment for the construction of infrastructure facilities and implementation of other activities in the SEZ;
7. construction of infrastructure facilities in accordance with the approved feasibility study of the land plots not transferred to the members of the SEZ;
8. organization of reception for operation of a service center based on the principles of "one-stop shop";
9. Providing confirmation of proper utilisation of imported goods in the implementation of activities that meet the objectives of the SEZ;
10. monitoring of agreements in implementation of activities.

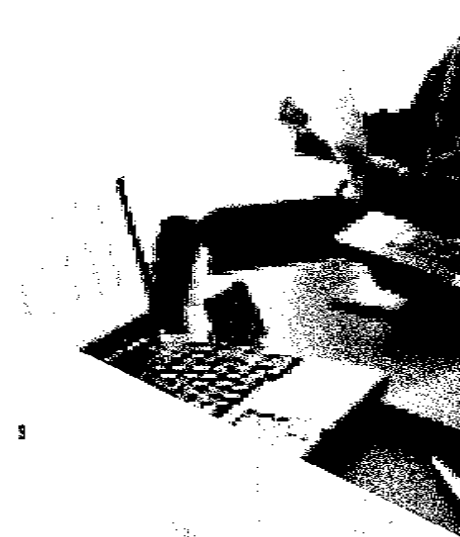
Types of activities in SEZ

Types of activities in SEZ

The law of the Republic of Kazakhstan «On special economic zones in the Republic of Kazakhstan» № 469-IV on July 21, 2011 identifies primary and supporting activities in the SEZ.

Primary activities - main activities which are consistent with goals of SEZ establishment. Companies that perform such activities, are members of SEZ.

The support activities are necessary to ensure the activities of the participants of SEZ, and are performed in its territory by companies that are not the members of the SEZ.



Who can be a participant of SEZ?

Legal entity (including any foreign entity) who is planning to implement primary activities within the SEZ territory.

In case if the legal entity is not a resident of the Republic of Kazakhstan and not registered in the Republic of Kazakhstan as a taxpayer, at the time of documents submission, a copy of the certificate regarding state registration absence as a taxpayer by the tax authorities of the Republic of Kazakhstan shall be provided.

Who can not be a participant of SEZ?

1. users of subsurface resources;
2. organizations producing excisable goods, except for organizations engaged in manufacturing, assembling 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 seeking use of any special tax regimes;
4. organizations that have used the investment tax preferences;
5. organizers engaged in form of gambling activity.

PRIVILEGES IN SEZ

Tax benefits

The following privileges shall be provided for all SEZ participants:

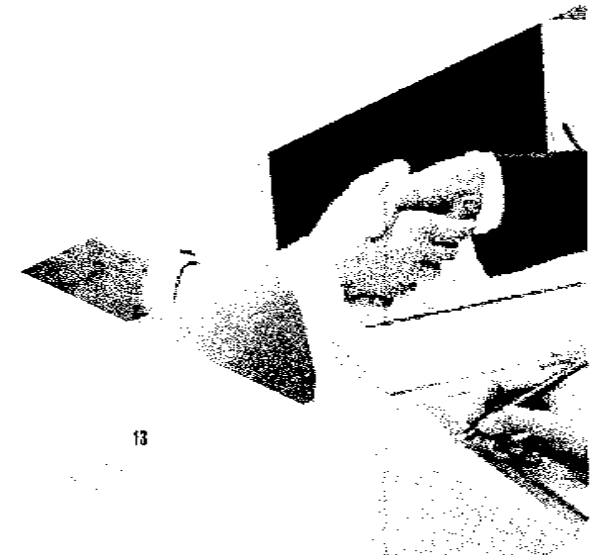
- exemption from **corporate income tax (CIT)**;
- exemption from **land tax**;
- exemption from **property tax**;
- exemption from **value added tax (VAT)** on all implementation activity within the territory of SEZ, on all goods completely consumed in the production process.

There are additional tax benefits for **SEZ “Innovation Technologies Park” participants**:

- exemption from social tax for 5 years, on the condition that labor costs amount to not less than 50% of annual revenue and 90% of labor payments are expended on residents of RK
- organization that is registered in Kazakhstan and located **out** of SEZ «ITP» before 1 January 2015, shall be considered as a SEZ participant, if it:
 - » has no structural subdivisions;
 - » at least 70 percent of total annual income is income receivable (received) from the sale of self produced goods, works and services from the following activities:
 - design, development, implementation, pilot production and production of software, databases and hardware of information technologies as well as data center services and on-line services;
 - execution of research and development work on the creation and implementation of projects in the field of information technologies.

Conditions for tax benefits:

1. registration as a taxpayer within SEZ territory;
2. registration as a SEZ participant;
3. absence of structural subdivisions outside the SEZ;
4. income from the sale of self produced goods by the priority activities of SEZ shall be at least 90 percent of the total annual income (for SEZ «ITP» - 70%).



Customs privileges

For goods IMPORTED into SEZ territory
Exemption from customs duties.

For goods EXPORTED from SEZ territory*

CU commodities exported from the SEZ to the rest territory of the Customs Union, **are not subject** to customs duties.

CU commodities exported from the SEZ territory to outside the Customs Union, **are subject** to the payment of export customs duties.

Foreign commodities with no status as CU goods (simple assembly) exported from the SEZ to the rest territory of Customs Union, **are subject** to the payment of customs duties.

In the case of foreign commodities which are not used and **not processed** within SEZ territory, at export (to the third countries), the commodities are exempted from «re-export» customs duties.

In a case of foreign commodities **processed** within SEZ territory, at export, export duties shall be paid according to the regulation № 520 of the Government of the Republic of Kazakhstan dated 07.06.2010.

More detailed information concerning customs benefits are reflected in the **Agreement on the free (special) economic zones in the customs territory of the customs union and the customs procedure of customs-free zone** (St. Petersburg, June 18, 2010).

*These benefits are applicable by January 1, 2017 only for participants registered before January 1, 2012

Other privileges

Simplified procedure for recruiting
foreign workers

Issuance of permits for foreign workers by local executive bodies are executed in accordance with the laws of the Republic of Kazakhstan, but using a simplified manner without opening the positions to the domestic labor market.

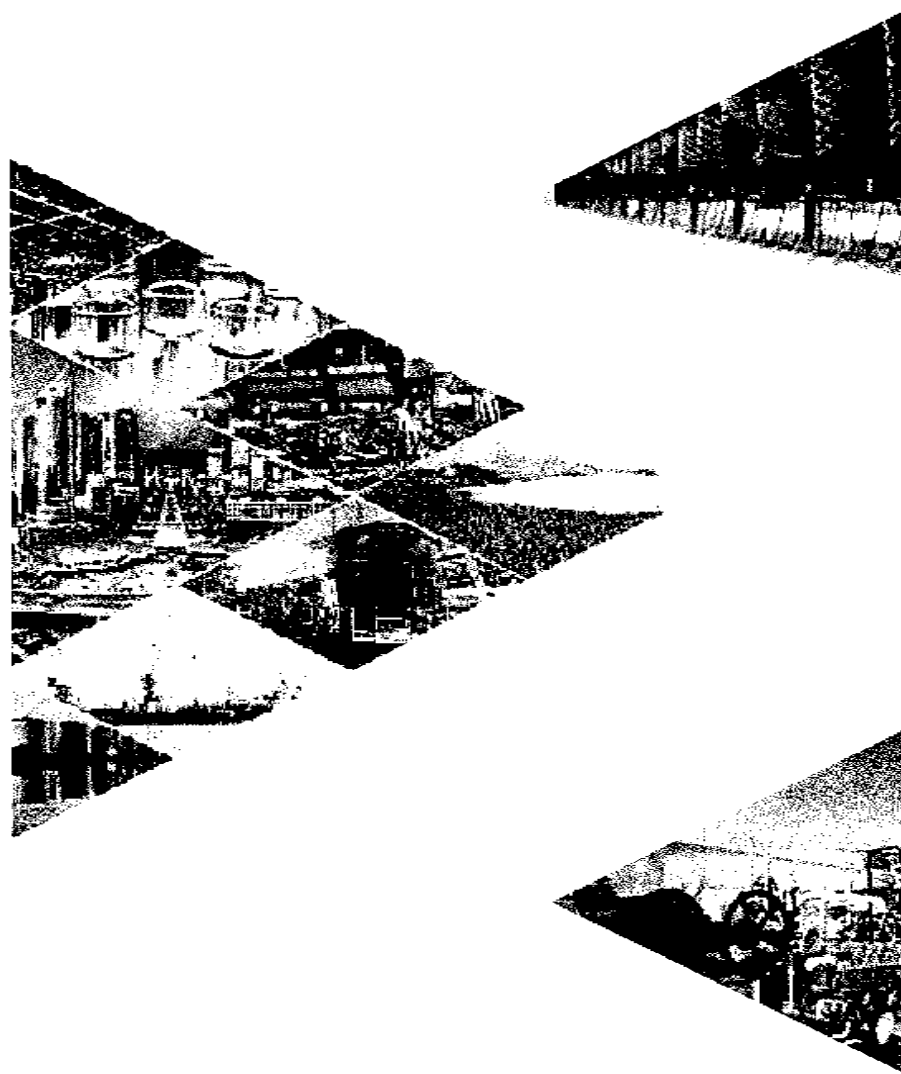
Free land plot for up to 10 years

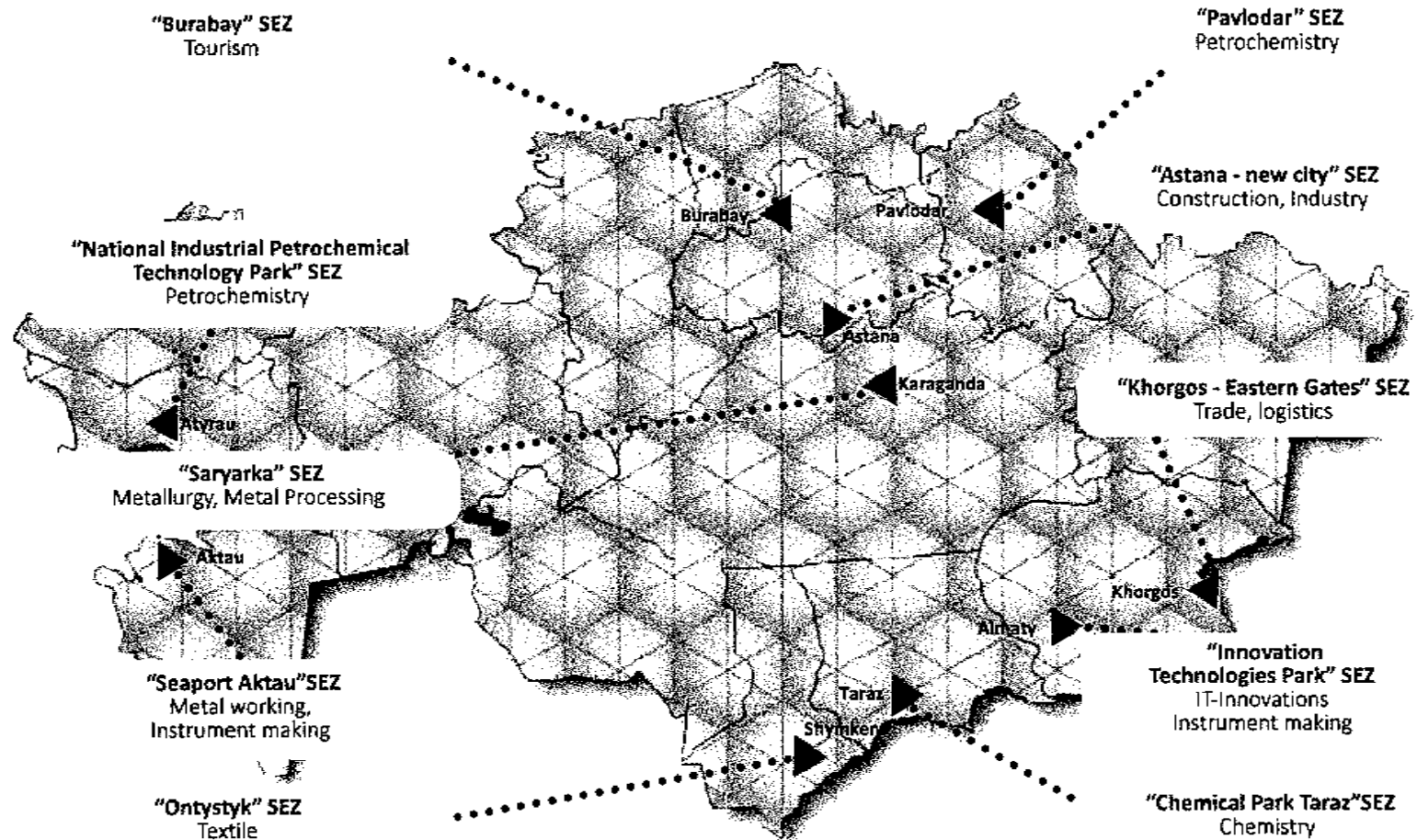
Free land plot for project implementation is provided for SEZ participants for up to 10 years.

SPECIAL ECONOMIC ZONES IN KAZAKHSTAN

For the purposes of foreign economic stimulation, regionally accelerated development, economy industries support and social problems solution, investment, technology and modern management, highly efficient and competitive industries creation in the Republic of Kazakhstan, it has established 10 special economic zones by the Decree of the President of the Republic of Kazakhstan:

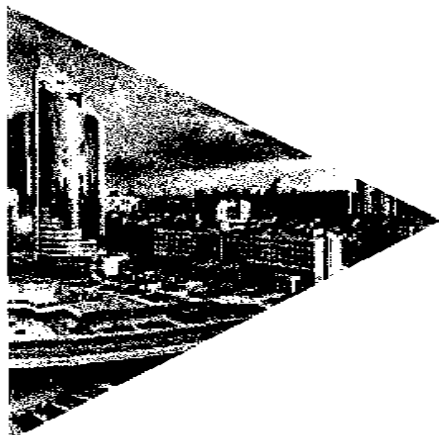
- "Astana – new city", Astana city;
- "Seaport Aktau", Mangistau region;
- "Innovation Technologies Park", Almaty region;
- "Ontustyk", South-Kazakhstan region;
- "National Industrial Petrochemical Park", Atyrau region;
- "Burabay", Akmola region;
- "Saryarka", Karaganda region;
- "Pavlodar", Pavlodar region;
- "Korgos – Eastern Gate", Almaty region;
- "Chemical Park "Taraz", Zhambyl region.





SEZ "ASTANA – NEW CITY"

Established: June 29, 2001
Remains in force: 2027
Location: Astana city
Area: 7,562.3 ha



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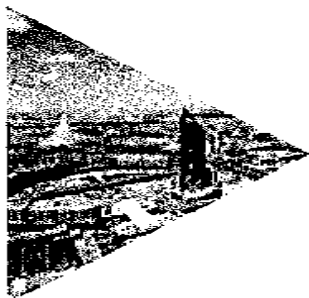


Purpose:

accelerated development of Astana city by attracting investment and the use of advanced technologies in construction, development of modern infrastructure and the creation of high-performance, high-tech and competitive industries and new products development.

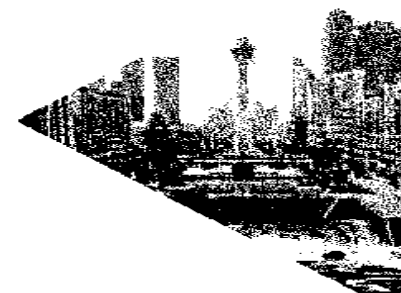
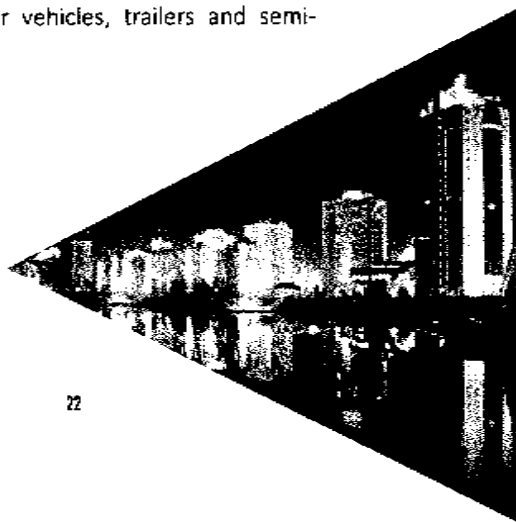


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Priority activities:

- » manufacture of other non-metallic mineral products;
- » manufacture of machinery and equipment;
- » manufacture of household electrical appliances;
- » manufacture of rubber and plastic products;
- » manufacture of chemicals and chemical products;
- » metallurgical industry;
- » manufacture of electrical equipment, including electrical lighting equipment;
- » manufacture of glass components for lighting;
- » food production;
- » manufacture of pulp, paper and paper board;
- » manufacture of furniture;
- » manufacture of motor vehicles, trailers and semi-trailers;



- » manufacture of railway locomotives and rolling stock;
- » manufacture of air and space craft;
- » manufacture of basic pharmaceutical products and preparations;
- » manufacture of electronic components;
- » construction and commissioning of infrastructure items for hospitals, clinics, schools, kindergartens, museums, theatres, universities and colleges, libraries, school palaces, sports complexes, office and residential complexes in accordance with the project estimates.

SEZ "SEAPORT AKTAU"



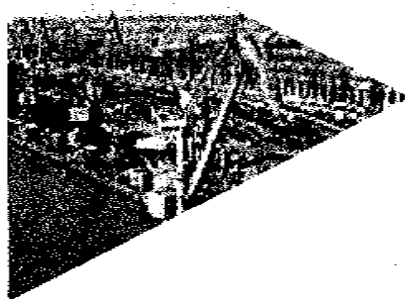
Established: April 26, 2002
Remains in force: January 1, 2028
Location: Mangistau region
Area: 2,000 ha

Purpose:

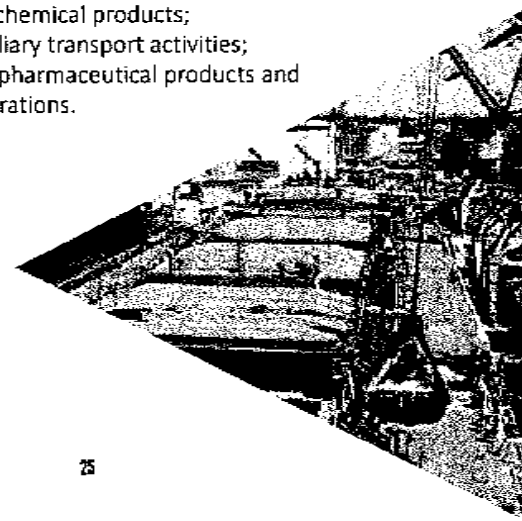
accelerated development of the region to strengthen the economy allowing entry into the global economic system, creation of high-performance capabilities, including high-tech and competitive industries, development of new products, attracting investments, improving the legal rules of market relations, implementation of modern management methods.

Priority activities:

- » manufacture of electric household appliances;
- » manufacture of leather goods;
- » manufacture of chemicals and chemical products;
- » manufacture of rubber and plastic products;
- » manufacture of other non-metallic mineral products;
- » metallurgical industry;
- » manufacture of finished metal products;
- » manufacture of machinery and equipment;
- » manufacture of petrochemical products;
- » warehousing and auxiliary transport activities;
- » manufacture of basic pharmaceutical products and pharmaceutical preparations.



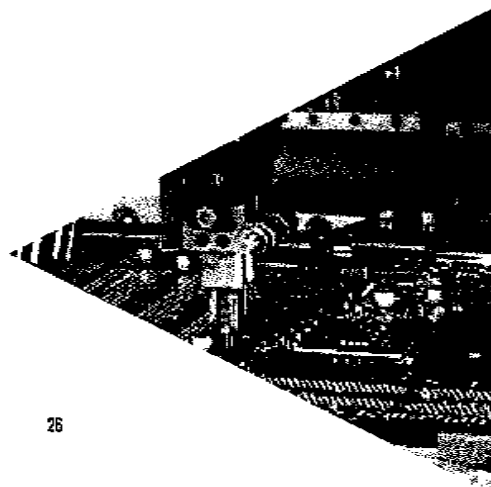
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SEZ "INNOVATION TECHNOLOGIES PARK"

Established: August 18, 2003
Remains in force: January 1, 2028
Location: Almaty region
Area: 163.02 ha

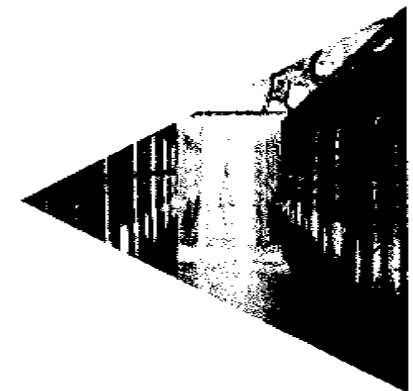


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Purpose:

technological development of the following areas:

- » information technology;
- » technology in the field of telecommunications and communications;
- » electronics and instrument-making;
- » renewable energy, resource conservation and efficient use of natural resources;
- » technology in the creation and application of materials for different purposes;
- » technology in the field of production, transportation and processing of oil and gas.



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Priority activities:

- design, development, implementation, pilot production and production of databases and hardware, design, development, implementation, pilot production and production of software (including development types);
- services for the storage and processing of information in electronic form using server info-communication equipment (data centers' services);
- development of new information technologies based on artificial immune and neural systems;
- execution of research and development activities in the information technology, telecommunications and communications, electronics, instrumentation, renewable energy, resource and environmental management, creation and application of new materials, production, transportation and processing of oil and gas at the refining stage, issued by authorized body in the field of science;
- manufacture of machines for text processing, copying equipment, addressing machines, calculators, cash registers, marking machines, ticket-cash machines, manufacture of other equipment, including computers and other equipment for information processing;

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- manufacture of radio and electronic transmitting equipment, equipment for the receiving, recording and reproduction of sound and images;
- design, development, implementation, and production of electronic, measuring, optical and lighting devices;
- educational activities in the field of technological innovation as per list of specialties determined by the Government of the Republic of Kazakhstan;
- design, development, implementation and production of new materials (including prototypes);
- construction and commissioning of facilities designed specifically for all SEZ activities within design specifications and estimates in accordance with the authorized body, which perform to state regulations in the sphere of the establishment and functioning of a SEZ and that the construction project meets the objectives of creating SEZ.

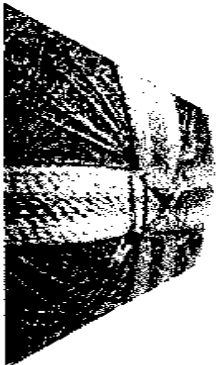
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SEZ "ONTUSTYK"

Established: July 6, 2005
Remains in force: July 1, 2030
Location: South-Kazakhstan region
Area: 200 ha

Purpose:

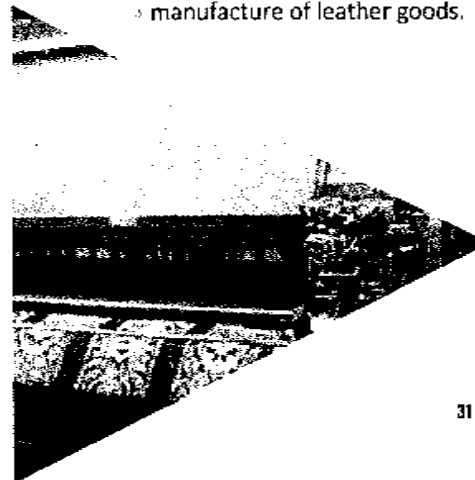
- development of enterprises of cotton production, textile and clothing industry of the Republic of Kazakhstan;
- development of textile industry;
- attraction of producers of world brand names for the production of textile products;
- creation of high-tech industries, quality improvement and manufacturing textile products to these standards.



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Priority activities:

- manufacture of finished textile goods, except clothes;
- manufacture of knitwear;
- manufacture of clothes from textile materials;
- manufacture of silk fabrics and products based on them;
- manufacture of non-woven textile materials and products based on them;
- manufacture of carpets, tapestries and Gobelin;
- manufacture of cotton cellulose and its derivatives;
- manufacture of high quality paper from raw cotton;
- manufacture of leather goods.

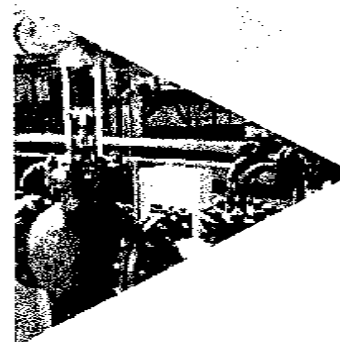


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SEZ

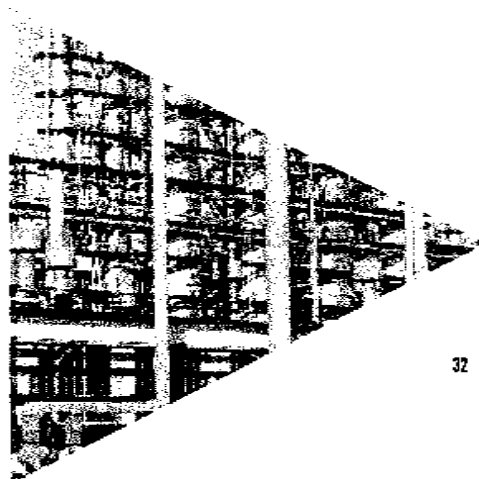
"NATIONAL INDUSTRIAL PETROCHEMICAL TECHNOLOGY PARK"

Established: December 19, 2007
Remains in force: December 31, 2032
Location: Atyrau region
Area: 3,475.9 ha

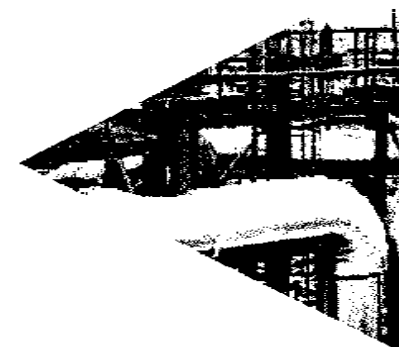
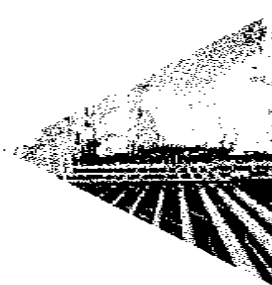


Purpose:

- » develop and implement breakthrough investment projects to build and develop a world-class petrochemical plants for intensive processing of hydrocarbon raw materials and production of a comprehensive and competitive range of petrochemical products with high added value;
- » investment in the construction and development of an integrated petrochemical industry based on public-private partnerships;
- » construction of new interconnected, highly innovative petrochemical plants;
- » promoting and creating conditions for the integration of the Kazakh petrochemical products into the global system of production and marketing, creating innovative, competitive domestic petrochemical products in accordance with international standards (ISO);

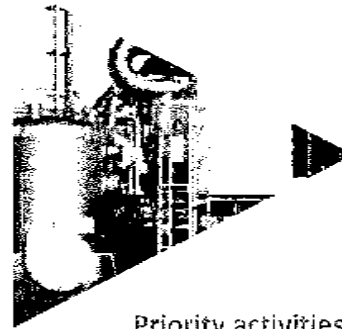


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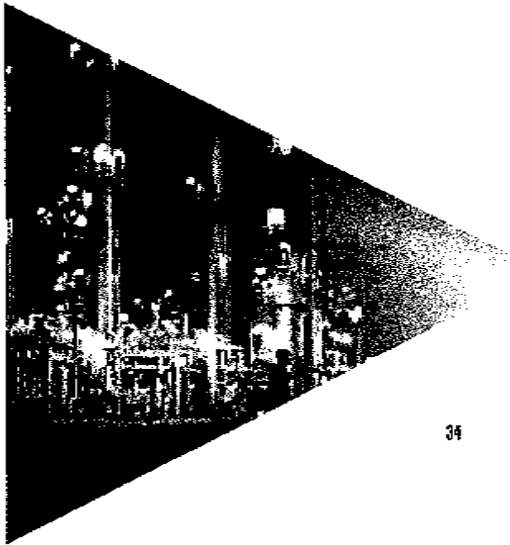
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- » development and implementation of research and scientific and technological innovation projects to establish and develop petrochemical production and treatment technologies, including the deep processing of hydrocarbon raw materials;
- » training and retraining personnel to an internationally recognised professional standards for the petrochemical industry.

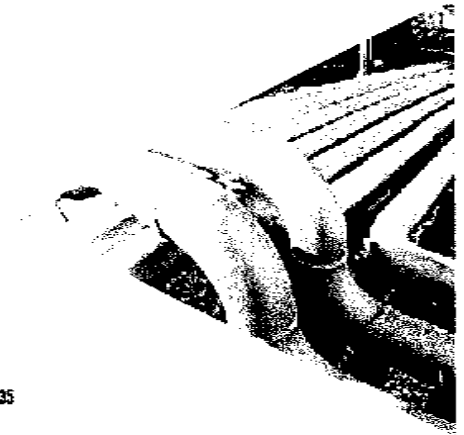


Priority activities:

- » construction and commissioning of infrastructure, petrochemical, chemical and allied industries in accordance to design specifications and estimates;
- » manufacture of chemicals and chemical products;
- » manufacture of petrochemicals and products of related industries and technologies.



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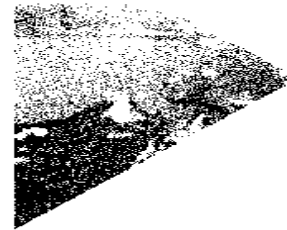
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SEZ "BURABAY"

Established: January 15, 2008
Remains in force: December 1, 2017
Location: Akmola region
Area: 370 ha

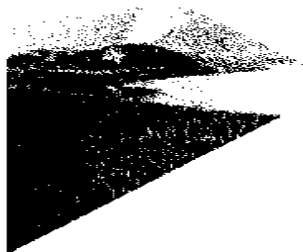
Purpose:

development of high-performance, competitive tourism infrastructure to provide and meet the needs of local and foreign tourists, creation a base for the use of environmentally friendly transport, including small aircraft in order to ensure access to all recreational facilities, creation of a common and accessible information base for tourist services.

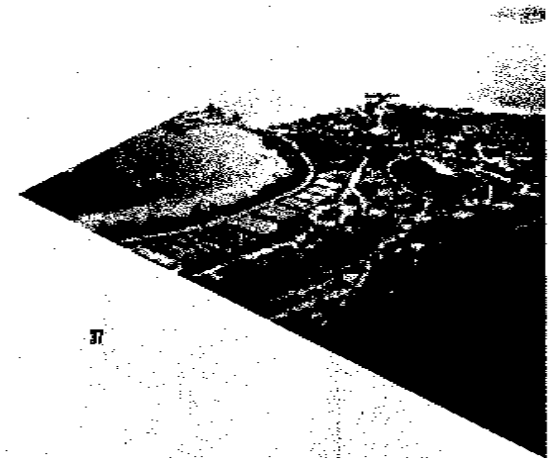


Priority activities:

- » provision of tourist services;
- » construction and commissioning of tourist accommodation, health and well being facilities under the following conditions:
 - constructed and commissioned structures which are not related to gambling;
 - construction and commissioning to be carried out in accordance with design specifications and estimates.



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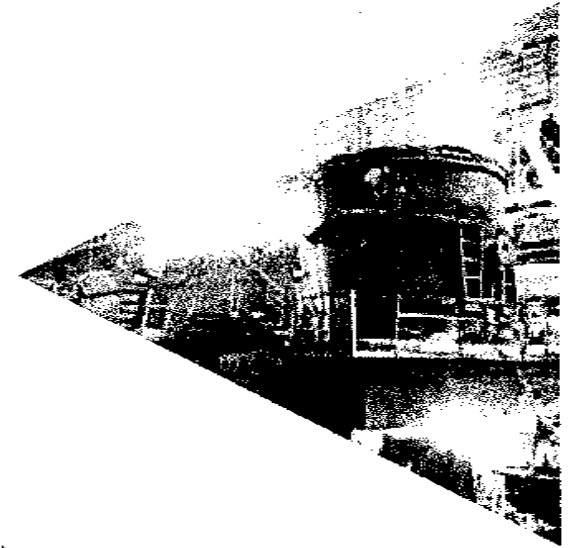
SEZ "SARYARKA"

Established: November 24, 2011
Remains in force: December 1, 2036
Location: Karaganda region
Area: 534.9 ha

Purpose:

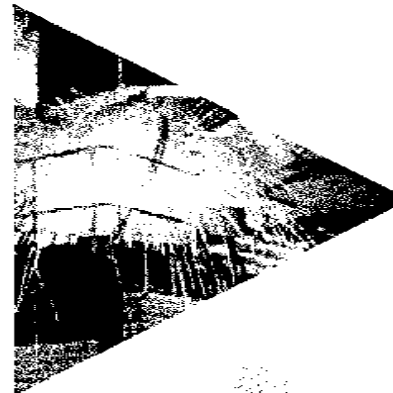
- » development of the metallurgical industry and the metal processing industry, in particular the production of finished products by encouraging the producers of worldwide brands to participate;
- » develop and implement breakthrough investment projects to build and develop a world-class petrochemical plants for intensive processing of hydrocarbon raw materials and production of a comprehensive and competitive range of petrochemical products with high added value;
- » development and implementation of research and scientific and technological innovation projects to establish and develop petrochemical production and treatment technologies, including deep processing of hydrocarbon raw materials;
- » investment in the construction and development of an integrated petrochemical industry based on public-private partnerships.

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Priority activities:

- » manufacture of metallurgical industry;
- » manufacture of finished metal products, machinery and equipment, vehicles, trailers, semi-trailers, computers, electrical and optical products, electrical equipment;
- » manufacture of chemical industry products, rubber and plastic products;
- » manufacture of building materials and non-metal mineral products.



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SEZ "PAVLODAR"

Established: November 29, 2011

Remains in force: December 1, 2036

Location: Pavlodar region

Area: 3,300 ha

Purpose:

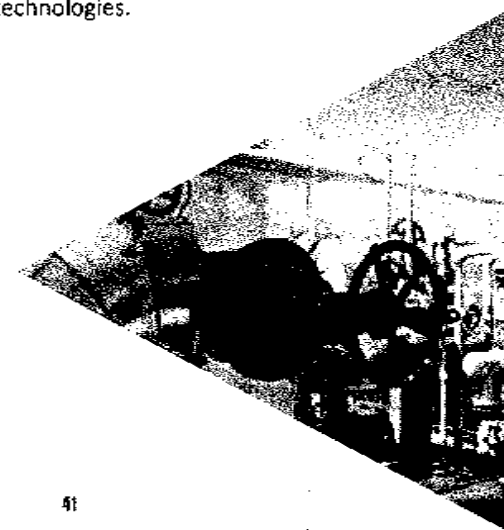
- » development of chemical and petrochemical industries, in particular the production of export products with high added value with the use of high-tech environmentally friendly modern technologies;
- » development and implementation of breakthrough investment projects, research and scientific and technological innovation projects for the creation and development of chemical and petrochemical industries in the deep processing of raw materials and the production of a broad competitive products with high added value;
- » creation of highly efficient and innovative production for the development of chemical and petrochemical industries, including high tech and competitive industries and the development of new products;
- » creation of a favorable investment climate and attraction of domestic and foreign investment, including the implementation of investment projects and the development of the chemical and petrochemical industries on the basis of public- private partnership.

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Priority activities:

- » manufacture of chemical industry products;
- » manufacture of petrochemical products as well as products of allied productions and technologies.



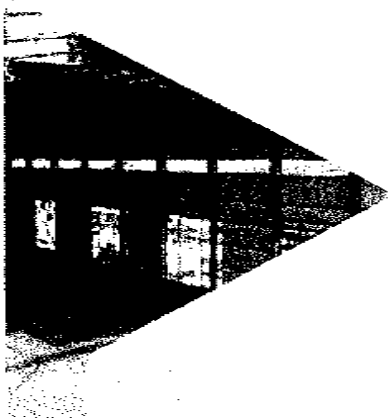
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SEZ "KHORGOS — EASTERN GATES"

Established: November 29, 2011
Remains in force: 2035
Location: Almaty region
Area: 5,740 ha

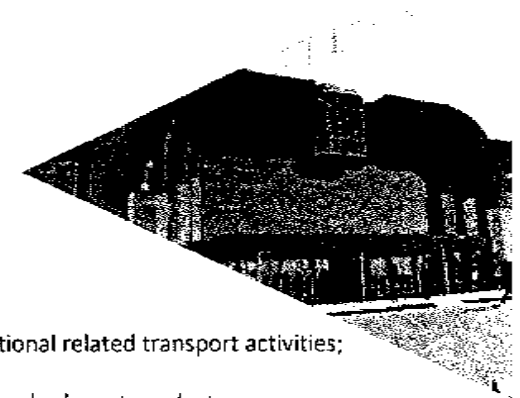
Purpose:

- » creation of an effective transport and logistics and industrial center, ensuring the interests of trade and export activities and the implementation creation of potential transit facilities within Kazakhstan, as well as contributing to the development of economic and cultural exchanges with neighboring countries;
- » implementation of the integration of Kazakhstan into the global system of production and distribution, creation of innovative, competitive domestic products in accordance with international standards.



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Priority activities:

- » storage facility and additional related transport activities;
- » food production;
- » manufacture of leather and relevant products;
- » manufacture of textile products;
- » manufacture of other non-metal mineral products;
- » manufacture of chemical industry products;
- » manufacture of finished metal products, except machines and equipment;
- » manufacture of machines and equipment omitted from other categories;
- » construction in accordance with design specifications and estimates of buildings for exhibitions, museums, storage and administrative buildings.

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SEZ "CHEMICAL PARK TARAZ"

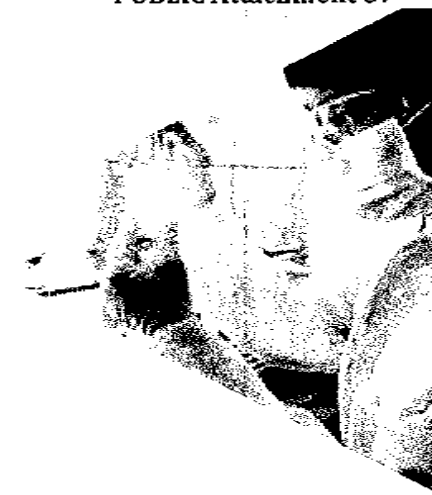
Established: November 13, 2012
Remains in force: January 1, 2037
Location: Zhambyl region
Area: 505 ha

Purpose:

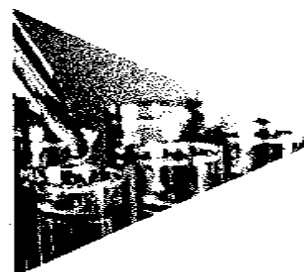
establishment in the Republic of Kazakhstan of new productions of chemical products in accordance with high-performance technologies.

Priority activities:

- » manufacture of chemicals and chemical products;
- » manufacture of rubber and plastic products;
- » manufacture of other non-metal mineral products;
- » manufacture of machinery and equipment for the chemical industry;
- » construction in accordance with design specifications, estimates and commissioning on the basis of acceptance from the act of state acceptance commission of industrial facilities, specifically designed for the production of chemicals and chemical products, rubber and plastic products, as well as other non-metal mineral products, machinery and equipment for the purposes of chemical productions.



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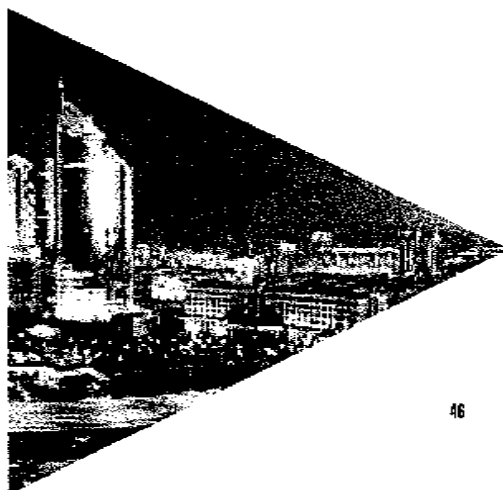


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CONTACTS

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on Investments of the Ministry of Industry and New
Technologies of the Republic of Kazakhstan
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SEZ administrations and management companies:

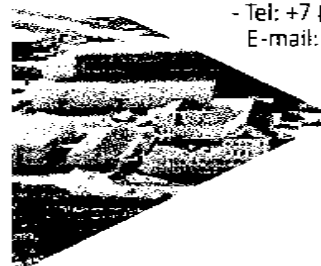
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E-mail: sezastana@mail.ru

"Seaport Aktau"
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"Innovation Technologies Park"
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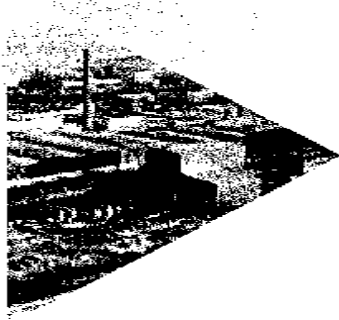
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"Pavlodar"

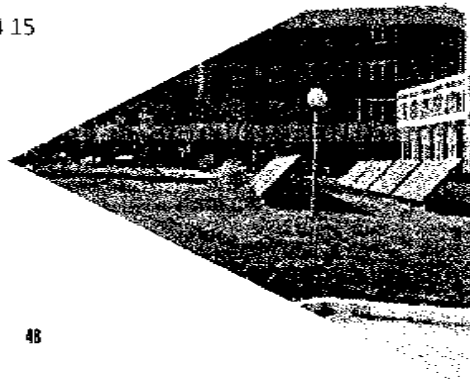
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