

LEGAL AND TAX ASPECTS OF DOING BUSINESS IN KAZAKHSTAN



2009

TABLE OF CONTENT

Section I	ESTABLISHING A LEGAL PRESENCE IN THE REPUBLIC OF KAZAKHSTAN	3
Section II	REGISTRATION REQUIREMENTS FOR SETTING UP A BRANCH OFFICE IN KAZAKHSTAN	7
Section III	LEGAL/LABOR CODE REQUIREMENTS	8
Section IV	LICENSING OF COMMERCIAL ACTIVITIES	13
Section V	LICENSING OF FOREIGN LABOR FORCE (WORK PERMITS)	14
Section VI	CORPORATE INCOME TAX	17
Section VII	WITHHOLDING TAXES	22
Section VIII	TAXATION OF SUBSURFACE IN KAZAKHSTAN	23
Section IX	TAXATION OF FOREIGN INDIVIDUALS	26
Section X	TAXATION OF LOCAL INDIVIDUALS	28
Section XI	SOCIAL PAYMENT FOR LOCAL INDIVIDUALS	30
Section XII	VALUE ADDED TAX (VAT)	31
Section XIII	PROPERTY TAX	35
Section XIV	TRANSPORTATION TAX (HORSE POWER TAX)	36
Section XV	LAND TAX	38

I. ESTABLISHING A LEGAL PRESENCE IN THE REPUBLIC OF KAZAKHSTAN

A foreign investor may choose either a limited presence, in the form of a representative office or a branch, or a full presence in a number of other forms as in accordance with the Legislation of the Republic of Kazakhstan the permanent activity could be conducted with or without establishing a legal entity.

At present, Kazakh Legislation provides for five types of business partnerships: namely general partnership, commandit partnership, partnership with limited liability, partnership with additional liability and open public joint stock company.

Should a foreign company decide to preserve the status of a non-resident, such a foreign legal entity shall register a branch or a representative office. A representative office and a branch of a foreign legal entity are not considered to be legal entities of Kazakhstan.

A consortium is also another optional form of a business organization. Unlike the above organizational forms the members thereof retain their business independence while operating in a consortium.

EXISTING FORMS OF KAZAKHSTAN LEGAL ENTITIES

JOINT STOCK COMPANY

Establishing a full legal presence in the form of a Joint Stock Company is regulated mainly by the Law On Joint-Stock Companies dated may 13, 2003 N 415-11, with the adjustments effective as from as from August 7, 2007.

A joint-stock company owns a property distinct from its shareholder's property and is not liable for their obligations.

A joint-stock company is a legal entity, which issues stock for the purpose of raising funds for performing its activity. Shareholders' liability shall be limited to extent of their shares.

One individual or legal entity can establish a joint-stock company on its own.

The above Law introduces a division of the authorized (share) capital of a joint-stock company into declared and issued. The amount of declared to authorized capital is equal to the total value of the stock declared to be issued. A joint-stock company may fully or partially issue its stock declared to be issued. The amount of issued authorized capital is equal to the value of issued stock.

The Board of Directors establishes the number, terms and conditions of the stock to be issued within the limits of declared authorized capital, which is determined by shareholders' meeting prior to issuing stock.

Joint-stock companies distribute their stock by two methods:

- Private method, i. e. distribution among qualified investors;
- Open method, i. e. distribution among unlimited number of individuals and legal entities through a tender and/or open trade.

A joint-stock company may issue common and preferred stocks and bonds. A joint-stock company should issue only registered stock. Nominal value of stock may be determined only in national currency (Kazakhstani Tenge).

The minimal amount of the declared authorized capital is 50 000 times monthly computation index (currently equal to 63,650,000.00 KZT or approx. US\$424,333.33).

BRANCH AND REPRESENTATIVE OFFICES

A branch is a subdivision of a foreign legal entity located in the Republic of Kazakhstan, which carries out fully or partially functions of that foreign legal entity, including the function of representation.

A representative office is a subdivision of a foreign legal entity located in the Republic of Kazakhstan, which protects and represents the interests of the foreign legal entity and enters into contracts and performs any other legal actions on behalf of that foreign legal entity. A representative office is not allowed to conduct commercial activities.

A foreign legal entity shall bear responsibility for the actions of its branches and representative offices.

Branches and representative offices are not considered to be legal entities in Kazakhstan. Both carry out all or some of the functions of the legal entity. Representative office shall only represent and protect the interests of the foreign legal entity. The branch office activity should be directly related to the type of activity of the Head Office.

Unlike legal entities both representative and branch office do not require minimum foundation capital, have no restrictions in opening the bank accounts in the foreign banks and have no limitations on disposal of the foreign currency. Both operate on the basis of Regulations approved by their parent legal entity.

Heads of branches and representative offices are appointed by an authorized body of a foreign legal entity and operate in accordance with a Power of Attorney.

PARTNERSHIPS WITH ADDITIONAL LIABILITY

Law on Partnership with Limited and Additional Liability #220-1 dated 22 April 1998, with the adjustments effective as from August 7, 2007, regulates activities of partnership with additional liability.

In general, legal status of a partnership with additional liability is the same as that of an LLP with the only differences in the scope of participants' liability.

Participants of a partnership with additional liability bear liability limited by the amount of their contributions to the authorized capital. Should the amount of their contributions be not sufficient to satisfy creditors' claims, the participants bear additional liability by property owned by them in the amount of their contributions in authorized capital multiplied by a certain number not less than two as determined by the charter.

Should one of the participants become bankrupt, its share of the liability of the partnership with additional liability is allocated between participants prorated with respect to their contributions to the authorized capital, unless otherwise stipulated in foundation documents.

COMMANDIT PARTNERSHIP

Commandit partnership's operations are mainly regulated by the Law on Business Partnerships referred to above.

A partnership is considered a Commandit partnership, if one or more participants are fully responsible for the liabilities of the Commandit partnership (general participants), while the other one or more participants, who are liable to the extent of their contributions (contributors) to the authorized capital, do not participate in management of such Commandit partnership.

Only individuals may be general participants in a Commandit partnership.

Minimal amount of the authorized capital is not less than 50 times monthly computation indices (1273 KZT effective as from January 1, 2009) at the day of contributions to the authorized capital.

GENERAL PARTNERSHIPS

Law on Business Partnership #2255 dated May 2, 1995, with the adjustments effective as from February 19, 2007, regulates activities of a general partnership.

A partnership is considered a general partnership when its participants are jointly liable for all partnership's obligations in the full amount of property owned by them.

Only individuals may be participants of a general partnership.

The minimal amount of the authorized capital should be more than 25 times monthly computation indices (1273 KZT effective as from January 1, 2009) at the moment of making contributions to the authorized capital.

SIMPLE PARTNERSHIPS OR CONSORTIUMS

A simple partnership is a temporary voluntary equal-rights union (association) operating on the basis of a contract for joint business activities, where legal entities unite their resources and efforts to achieve specific business objectives. Relations between the members of a simple partnership are built on a contractual basis.

A simple partnership, members of which are legal entities rather than individuals, is referred to as "consortium". Kazakh Legislation does not recognize a consortium as a separate legal entity.

The participants of a consortium retain their business independence and may be engaged in the activities of any other consortiums or associations.

Management of a consortium is carried out in accordance with the consortium agreement between the members of the consortium.

The participants of a consortium bear joint liability with respect to the liabilities related to the activities of the consortium, unless otherwise stipulated in the foundation documents.

A consortium shall be dissolved upon completion of the implementation of established tasks, based on a decision of its participants.

Kazakh legislation does not require a consortium to file documents for registration with any authorities, since member-entities of the consortium are expected to obtain their own separate legal and tax registrations.

II. REGISTRATION REQUIREMENTS FOR SETTING UP A BRANCH OFFICE IN KAZAKHSTAN

To register a Branch Office with the Ministry of Justice in the Republic of Kazakhstan the following documents must be prepared for submission:

1. **Charter or Memorandum and Articles of Association of a Foreign Legal Entity (legalized)**
Charter of the Company opening a Branch Office in Kazakhstan. The document must be notarized and legalized in the home country of the Company.
2. **Power of Attorney in the name of the Managing Director (legalized)**
The document must be written on Company letterhead, in the name of the Company Representative to allow him to act on behalf of the Company, should be verified by the seal of the Company and signed by the Director. The document must be notarized and legalized in the home country of the Company.
3. **Board Resolution on opening a Branch Office (legalized)**
The document must be addressed to the Minister of Justice, written on company letterhead, verified by the seal of the Company and signed by the Director. The document must be notarized and legalized in the home country of the Company.
4. **Extracts from the Trade Register or Registration Certificate in the Country of Foreign legal Entity (legalized)**
The document must be notarized and legalized in the home country of the Company.
5. **Regulation of the Branch Office (3 legalized originals)**
The document can be drafted by CABC in both local and English languages, must be certified by the Company, notarized and legalized in the home country of the Company.
6. **Lease Agreement**
A copy of the Lease Agreement certifying the legal address of a Branch Office. CABC shall draft a document with respect to the provision of the legal address.
7. **State Duty**
Before a Certificate of Registration can be issued, the Ministry of Justice requires payment of a state registration fee.
8. **Power of Attorney to an Authorized Representative to register a Branch Office (legalized)**
Power of Attorney must be written in the name of CABC Representative to perform registration services on behalf of a Branch Office. This document must be written on Company's letterhead, verified by the seal of the Company and signed by the Director. The document must be notarized and legalized in the home country of the Company.
9. **Passport photocopies and valid Kazakhstan visa (legalized)**
The photocopy of the passport of the Managing Director with the Kazakhstan visa must be notarized and legalized in the home country of the Company.
10. **Tax Id of the Managing Director of the Branch Office (legalized)**
The document must be duly notarized and legalized in the home country of the Company;
11. **Tax Id of the Head Office**

III. LEGAL/LABOR CODE REQUIREMENTS

Labor relations of all workers and employees in the Republic of Kazakhstan are regulated by the Labour Code N9-IV dated December 19, 2007, as well as other relevant Laws of the Republic of Kazakhstan.

1. Labor Book

An Employer must fill in appropriate information in labor books of local employees from the first day of starting the work in the company. An employee entering into an employment contract (except in cases where a contract is concluded for the first time) must present to employer his/her labor book and identification documents.

In accordance with the local legislation, Labor Book should be safely kept by the HR Manager or someone who performs such a function.

All the previous, current and future job information should be recorded accordingly to enable future calculations of pensions by the appropriate state authorities (applicable for the local citizens only).

2. Probationary Period

As per the Labor Code requirements, a provision on probationary period must be stipulated in an employment contract, which shall not exceed three months. Employees, who don't pass such probationary period, could be terminated with an immediate effect notice.

3. Business Time

Normal duration of business day should not exceed eight hours. The regular workweek is forty hours, less for certain groups of people as invalids, pregnant women, etc.

When concluding the Employment Contract as well as being in the process of labor relationship and upon obtaining mutual consent, employer and employee may agree on a part-time work.

3.1 Overtime

Only for the purposes of prevention of natural calamities, force major circumstances, production accidents and other extraordinary events and/or liquidation of their consequences, and also for the purpose of prevention of losses of perishable goods overtime work could be allowed.

However, in any case duration of overtime work should not exceed two hours during one day, twelve hours during one day and one hundred twenty hours during one year.

Overtime for the employees engaged in extra hard and harmful works is regulated as well and shall not exceed one hour during one day.

Payments for each overtime hour must be not less than the rate for 1,5 hours of employee's base payment. Payments for each hour of overtime during the official holidays must not be less than 2 hourly rate of employee's base payment rate.

3.2 Rest Time

During the business day, employees must be allowed a break for rest and lunch. The Internal Regulations of the Company, shift schedule, employment contract, and collective agreement shall determine duration of rest time.

4. National Holidays

The official public holidays and non-working days are not considered as business time:

1-2 January	- New Year
7 January	- Orthodox Christmas
8,9 March	- International Women's Day
22 March	- Nauryz (National Holiday)
1 May	- Kazakhstan nations Unity Holiday
9 May	- Victory Day over fascism
30 August	- Constitution Day
25 October	- Republic Day
16-17 December	- National Independence Day

In case of coincidence of day-off and holiday, the holiday is carried to the next working day.

5. Vacation Entitlement

The minimum paid annual vacation is twenty four calendar days and must be provided to all employees.

For the following categories of employee's duration of annual vacation must not be less than thirty calendar days:

- employees engaged in agricultural production;
- senior officials, managers and specialists of enterprises;
- Physicians, nurses and pharmaceuticals.

For disabled people (II category) duration of paid annual vacation should not be less than thirty nine calendar days.

It must be noted that certain categories of employees, especially the ones working in hazardous conditions, offshore workers, etc., shall be entitled to additional vacation days, which should not be less than six calendar days.

5.1 Paid leave in connection with education

Employees who are studying and working at the same time should be entitled to the following paid leaves in connection with first higher education for:

- attending semester exams;
- attending finals (course exams);
- preparing for and attending graduation exams

5.2 Social Vacations (Maternity Leave)

Women should be entitled to a paid maternity leave for seventy calendar days prior to and fifty-six calendar days (in certain cases seventy) after childbirth.

5.3 Non-paid Leave

Should employee have to solve family, private and other social problems, he/she should be entitled to a non-paid leave.

6. Statutory sickness payments requirements

Employees should be entitled to certain compensations for the period of their illness. The amount of monthly social payments in case of loss of work ability is calculated as multiplication of the average monthly income for the last 24 months that are subject to the social contributions, less 80% from the minimal salary as per the Legislation of the Republic of Kazakhstan, to the factors of income substitution, loss of work ability and length of services.

7. Employment termination

Employer may terminate Employment Contract for the following reasons:

- Liquidation of an enterprise;
- Reduction in the number of employees or staff;
- Decision of an Authorized Body on non compliance of the employee with his or her position due to insufficient competency, qualification (professionalism);
- failure to execute labor function or obligations as determined in the Employment Contract by the employee or gross violations of labor obligations in the cases as specified in the Labor Code.

7.1 Employment Termination/Special Considerations

As per the current Labor Code, if Employment Agreement is terminated due to reduction in the number of employees, Employer must officially inform Employee about termination of contract not later than one month in advance;

To enable Employee to look for a job, Employer must give an Employee not less than one (1) day off during every business week of such notification period, provided that his/her base salary is fully paid;

The following allowances must be paid to Employees upon termination of their employment:

- Termination allowance in an amount of not less than one average monthly salary;
- Other cases and sizes of compensatory payments can be established by Personal Labour, Collective Contracts.
- Instead of giving one month notice, Employer may, should Employee agree, pay him/her one time one month average monthly salary allowance.

7.2 Special Considerations before termination of Employment Contracts (Staff reduction):

Before terminating employment contracts Employer should take into account professionalism and qualifications of Employee and should try to provide him/her with some other work (position) within the Company;

In certain cases, especially for the Employees with higher level of qualification or skills, advantages and privileges should be granted upon termination of contracts.

7.3 Termination is not allowed in the following cases:

- Pregnant women and women with a baby under 3;
- Employee (single mother or father with a pre-school child), if the only source of income is the Company;
- Temporary disability of the Employee;
- If the reason for termination is participation in a trade union or political party;
- During a period of vacation or business trip

Note: Provision of this article should not be applicable in the case of liquidation/dissolution.

7.4 Vacation Entitlement upon Termination

In the event of termination of labor relations, Employee must be entitled to his/her annual unused vacation for the appropriate working year (years).

7.5 Employee Resignation

In accordance with the current Labor Code Employee may terminate Employment Contract upon serving 1 (one) calendar month prior written notice to the Employer;

Upon expiration of one calendar month from the date of notice, Employee is entitled to his severance pay and shall leave work accordingly;

If Employee retires for the reason of old age or disability, enters an educational institution to continue education, moves to a new place of residence and in other cases provided by the legislation, Employment Contract may be terminated from the date specified in the termination notice;

Before expiration of notification period, Employee may revoke termination notice or upon serving of other notice may announce the latter invalid. In that case Employment Contract may not be terminated, especially if Employer did not inform Employee by written formal notice about hiring of another employee for such vacancy. Upon termination of Employment Contract Employee is not entitled to revoke or announce notice of termination invalid;

Employee shall be entitled to his/her annual unused holidays for the appropriate working year (years) and termination of employment contract shall be considered at the end of such leave. Before expiration of such leave, Employee may revoke termination notice or upon serving another written notice to announce the latter invalid;

It is not permitted to terminate Employment Contract by force, intimidation or otherwise, against Employee's will.

IV. LICENSING OF COMMERCIAL ACTIVITIES

In accordance with the Law of the Republic of Kazakhstan #214-III dated January 11, 2007 some types of activity shall be subject to licensing. A license is granted without discrimination to any entity that meets the requirements for that specific license.

In accordance with the above Law, the licenses may be issued as per the following characteristics:

- on subjects (issued for the physical or legal entities of the Republic of Kazakhstan or foreign physical or legal entities and international Organizations)
- on volume of activity (general, one-time use only, operational)
- on territorial scope of activity (for appointed territory of Kazakhstan, for the whole territory of the Republic of Kazakhstan, outside Kazakhstan)

Foreign physical persons and legal entities and stateless persons obtain the licenses on the same conditions and in accordance with the order established for the physical and legal entities of Kazakhstan.

Licensing of activity of the heightened danger objects that are of the great state importances include 41 types of activity.

There are other types of activity, altogether 23 types that require obtaining of special permits (licenses), such as providing services to the physical and legal entities, activity related to concentration of financial recourses, usage of currency values.

Each type of licenses has its own period of validity.

The appropriate State Agencies are authorized to consider documents submitted by applicants and to grant licenses.

The above Law determines regulations and procedures for licensing of specific types of activities.

Applicants must submit all documents to the appropriate state bodies and pay an application fee. However, please note that the procedure and the process of obtaining operational licenses is very labour-intensive takes not less than 2-6 months depending on type of activity.

V. LICENCING OF FOREIGN LABOR FORCE (WORK PERMITS)

WHAT IS THE WORK PERMIT?

Work permit issues are governed by the Edict of the President of the Republic of Kazakhstan #214-III "On Licensing" dated January 11, 2007 and Government Regulation "on Rules of Attracting Foreign Labour force in the Republic of Kazakhstan and Establishing Quotas" dated June 1, 2008.

A work permit is issued by the Ministry of Labor and Social Protection of Population of the Republic of Kazakhstan and Regional Department of Coordination to enable the employment of foreign employees in Kazakhstan.

Applications for work permits are submitted to the regional departments of the Ministry of Labor and Social Protection of Population of the Republic of Kazakhstan, or, if application is submitted to the local municipality (Akimat).

WHO MUST OBTAIN WORK PERMIT?

According to Kazakh legislation, all Kazakh and foreign legal entities, including branches and representative offices of foreign legal entities must obtain a work permit for their foreign employees working in Kazakhstan.

The work permit is issued to a specific entity and applies to all foreign employees named in the application materials and approved to the work permit granted. The work permit is valid for one year from the date when the work permit was approved.

The legislation provides certain registration requirements, some of which are more concrete than others. For instance, foreign employee must be at least 25, but no older than the pension age (currently 62 for men, and 58 for women).

The regional office of the Ministry of Labor must provide confirmation of the absence of local employees with the required skills; the authorities may reject certain foreign employees from the permit on these grounds.

BRIEF DESCRIPTION OF THE PROCESS

The entity must submit to the Oblast regional Department of Labor, Employment and Social Protection to obtain permission employer a set of documents application for permissions issue in State (Kazakh) or Official (Russian) languages indicating number of category of mobilizing foreign manpower per separate professions and qualifications:

- Qualifying requirements, stipulated for each position in accordance with Skilled manual of positions of managers, specialists and

employees (SM), United tariff skilled manual of employees jobs and professions (UTSM) to be approved by central executive authority;

- Explanation for necessity of foreign language knowledge, international standards knowledge and work experience abroad;
 - Reference for vacant positions from regional database of authorized agency within a month from the date of application submission;
 - Originals of 2 national (in Kazakh and Russian languages) and in 2 local (in Kazakh and Russian languages) newspapers specifying available vacancies indicating qualifying requirements for position in accordance with UTSM and SM which to be published within not less than one and no more than three months before application submission to authorized agency. After one month period from publishing of advertisements, the company may submit the completed set of documents (with copies of published advertisements) to the Authorized State Department;
 - Search results of labor market national database in web-site of central executive authority;
 - Information about performance of special conditions of previous issued permissions;
 - Employer's reasoned refusal to Kazakhstan citizens for vacant position;
 - Explanation of mobilizing foreign manpower quantity;
- including an application, copies of the certificate of registration with Ministry of Justice, a statistical card, entity's foundation documents.

After preliminary review of the submitted documents by employers within ten working days from the date of their submission, the above-mentioned Department submits documents for review to the State Commission on permissions issue for foreign manpower mobilization.

On the base of decisions taken by commission Department draws up permission on a form of the approved sample.

Procedure for certification of list of mobilizing foreign manpower

If Permission is available employer concludes a contract with foreign employees in accordance with Labor Law of Republic of Kazakhstan.

No later than three months from the date of permission obtaining employer makes lists of mobilizing foreign manpower and submits them to authorized agency-Department of Labor, Employment and Social Protection of Population of Regional Authorities, a list of the recruited foreign employees, copies of the employment contracts, copies of the diplomas supporting medical insurance (only for founders and managers), copies of diplomas for each foreign employee, copies of AIDS test certificates, a brief summary of information concerning the activities of the entity, which includes information regarding the local employees which an entity plans to employ.

Please note that this requirement is quite formal, and must be satisfied in order to advise the authorities that the applying company has attempted to hire a local individual.

DOCUMENTS REVIEW AND WORK PERMIT FEES

The regional offices of the Ministry of Labor within thirty working days from the date of their submission have been reviewed for compliance with the above-mentioned Rules for requirements, Department certifies the lists submitted by employer and issues a decision.

NON-COMPLIANCE FINES

In accordance with the above-mentioned legislation entity, which recruits foreign employees without a license should be subject to confiscation of the revenues derived from the foreign employees' activities in Kazakhstan.

Additionally, in practice, general Kazakh immigration officials (OVIR) do not issue multiple work visas to foreign individuals without the evidence that a work permit has been obtained or a relevant application has been made.

VI. CORPORATE INCOME TAX

The tax year in Kazakhstan is a calendar year. As per the Tax Code of the Republic of Kazakhstan, effective from 1 January 2009 taxes must be computed on an accrual basis.

Legal entities incorporated in Kazakhstan are residents for tax purposes and as such are subject to corporate income tax on their worldwide income. Non-resident legal entities undertaking commercial activities in Kazakhstan are taxed on their Kazakh source income.

RATES

According to the new Tax Code of the Republic of Kazakhstan, the following Corporate Income Tax rates will be applicable to resident and non-resident legal entities in Kazakhstan:

1. From January 1, 2009 till January 1, 2010 - CIT at the rate of 20%;
2. From January 1, 2010 till January 1, 2011 - 17,5%.

However, non-resident legal entities operating in the Republic of Kazakhstan through permanent establishments are subject to an additional tax at a rate of 15% of their net income (the "branch profits" tax), unless reduced by a relevant double tax treaty agreement. This brings the effective tax rate applicable to non-resident legal entities to 32% (from January 1, 2009 till January 1, 2010).

The company must prove that it can use the double tax treaties rules by presenting the document which proves its residence in the country which can use the double tax treaty agreement between its country and Kazakhstan. Please note that in this case, the company must provide Kazakh State Authorities with the **legalized copy of Residency Certificate** from the country of origin.

DETERMINATION OF TAXABLE PROFIT

The taxable base for corporate income tax is the total annual income less certain statutory deductions. Taxable profits are assessed in tenge with foreign currency income converted at official exchange rates.

Total income should include trading income; inflation adjusted capital gains on the disposal of buildings, structures and non-depreciating assets, income on rental of assets and non-trading income. Non-trading income includes dividends, winnings, royalties, property and monetary resources received free of charge, rental income, subsidies (except state subsidies), debts written off bad debts recovered. Revaluation of fixed assets and inventory in excess of inflation level is also included in taxable income.

In general, business expenses are deductible in calculating taxable income. However, limitations exist in respect of deductibility of certain expenses such as fixed assets repair expenses and business trip reimbursements. Interest on loans is also deductible. The maximum

allowable deductible rate of interest on tenge loans cannot exceed the refinancing rates of National Bank of Kazakhstan.

Geological research expenses are deductible as depreciation expenses at the rate of 25% only in case when these expenses were made before starting the resources extraction (oil, coal production, etc). These expenses incurred after the creation of a separate group shall be used to increase it.

If before accepted doubtful obligations have been paid to the creditor by the taxpayer, then a taxpayer may make a deduction for the paid amount. Also, if at least three years have elapsed since the doubtful debts have arisen and not paid, it can be included into deduction.

Social security contributions within the established norms are deductible for corporate income tax purposes.

Paid taxes (e. g. Land tax, vehicle tax, property tax, fees for legal and security emission registration) are also deductible, except for:

- The taxes already excluded prior to determining aggregate annual income(e. g. Excise and value added tax), and
- Corporate tax, paid in the territory of the Republic of Kazakhstan and in any other states
- Excess profit tax.

A legal entity non-resident that works in the Republic of Kazakhstan through the permanent establishment may reduce the taxable turnover for the amount of expenses that made directly for receiving the profit from Kazakhstan activity either in the territory of Kazakhstan or outside it, excluding the expenses that are not allowed for deductions as per the Tax Code of the Republic of Kazakhstan.

The following expenses made by the legal entity may not reduce the taxable turnover of the permanent establishment:

- Royalties, honorarium, and other payments for presenting the rights of using the property or intellectual property of the legal entity non-resident
- Brokerage income for services
- Remunerations for loans, granted by the legal entity non-resident
- Expenses not related to the activity of the legal entity in the Republic of Kazakhstan
- Not documented expenses
- Administrative expenses made outside the territory of the Republic of Kazakhstan.

Deductions are also allowed for research and development costs that are not capital in nature.

Reserve of subsurface user for site remediation and clean up is deductible for corporate income tax purposes. The terms for site remediation are established in the subsurface use contract. The tax on excess profit and royalties due from subsurface user are also deductible.

EFFECT OF DOUBLE TAX TREATIES

In accordance with the Kazakhstan Tax Legislation Article 208 "On Methods for the deduction of management and general administrative expenses of a nonresident legal entity (Branch Office) in the Republic of Kazakhstan", the provisions of an international agreement regarding the determination of taxable income of a nonresident legal entity doing business in the Republic of Kazakhstan through a permanent establishment allow for the deduction of management and general administrative expenses incurred for the purpose of earning said taxable income both in the Republic of Kazakhstan and outside its borders, one of the following methods shall be used to determine these expenses:

- 1) The proportional distribution of expenses method;
- 2) The direct deduction of expenses method.

However, a company shall choose for itself only one of these methods for the deduction of management and general administrative expenses.

When the **proportional distribution of expenses method** is used, the amount of management and general administrative expenses referred to in Article 209 of this Code that are charged to a permanent establishment as a deduction shall be determined as the product of these expenses and an index factor.

The index factor shall be calculated by one of the following methods:

- The ratio of gross annual income earned by a nonresident legal entity from doing business in the Republic of Kazakhstan through a permanent establishment during the tax period to the total gross annual income of the nonresident legal entity Group as a whole for the same tax period;

- The average of the following three indicators:

1. The ratio of gross annual income earned by a nonresident legal entity from doing business in the Republic of Kazakhstan through a permanent establishment during the tax period to the total gross annual income of the nonresident legal entity as a whole for the same tax period;

2. The ratio of the original (or current) value of fixed capital recorded in the financial statement of the permanent establishment in the Republic of Kazakhstan as of the end of the tax period, to the total original (or current) value of the fixed capital of the nonresident legal entity as a whole in the same tax period;

3. The ratio of expenditures on wages for personnel employed at the permanent establishment in the Republic of Kazakhstan as of the end of the tax period to the total expenditures on wages for personnel of the nonresident legal entity as a whole in the same tax period.

Supporting documents for proportional method shall include:

- 1) A legalized copy of the financial statements of the nonresident legal entity Group (that is total company worldwide) in which the following is

indicated, depending on the index factor chosen by the nonresident legal entity:

- the total amount of gross annual income as a whole;
- the total amount of expenditures on wages as a whole;
- the original and residual value of fixed capital as a whole;
- the total amount of expenses, with an item-by-item breakdown, including a breakdown of the total amount of management and general administrative expenses;

2) A legalized copy of an audit opinion based on an audit of the nonresident legal entity's financial statements (if an audit of the legal entity's financial statements has been performed).

3) A legalized copy of residency certificate of Head office.

When the **direct deduction method** is used for a nonresident's management and general administrative expenses, these expenses shall be taken as a deduction charged to a permanent establishment in the Republic of Kazakhstan if they can be determined directly and were incurred directly for the purposes of earning income from doing business in the Republic of Kazakhstan through a permanent establishment.

Said expenses shall be taken as a deduction charged to a permanent established only if supporting documents are available.

Supporting documents for direct method shall include:

1) Original documents with accounting records confirming expenses incurred by the nonresident legal entity on the territory of the Republic of Kazakhstan for the purposes of earning income from doing business through the permanent establishment;

2) A legalized copies of accounting records confirming expenses incurred by the nonresident legal entity outside the Republic of Kazakhstan for the purposes of earning income from doing business in the Republic of Kazakhstan through the permanent establishment;

3) A legalized copy of residency certificate issued on the name of Head office.

Note: Please note that in both cases Head office of nonresident legal entity in Kazakhstan shall provide Kazakh State Authorities with the legalized copy of residency certificate from country of origin.

OVERSEAS ASPECTS

Income derived from an overseas representative office or branch of a resident legal entity is included in total aggregate income. Domestic law provides a tax credit for corporate tax paid overseas as long as it does not exceed the Kazakh tax liability.

If a resident legal entity holds directly or indirectly a part of the charter fund of an overseas company located in a tax haven country or,

holds voting shares of such overseas company, income derived from the overseas company should be included in total aggregate income.

For the purposes of Kazakh Law, a country is considered a tax haven if in that country the tax rate is one third lower than the tax rate in Kazakhstan.

DEPRECIATION

All depreciable assets and certain costs fall into one of four categories (building/contractions, plant/machinery, stationary machines/computers and fixed assets not listed in other group) and should be depreciated, using the declining balance method described in the Tax Code.

Depreciation is calculated by applying the appropriate rate to net balance value of each item and the total net balance value of each other category at the end of the tax year.

Land and inventory are not depreciated.

The repairing expenses for the assets shall be deductible in an amount from 15% to 25% (depending on the assets group) of the assets group cost balance at the end of the tax period. The exceeding amount increases the asset group cost balance.

LOSSES

Effective from January 1, 2009 losses from commercial activities may be carried forward up ten years and offset against the income of later periods.

VII. WITHHOLDING TAXES (WHT)

According to the new Tax Code of the Republic of Kazakhstan, non resident legal entities without permanent establishment are liable for payment of WHT from Kazakh sources at the following rates:

1. From January 1, 2009 till January 1, 2010 - 20%;
2. From January 1, 2010 till January 1, 2011 - 17,5%;
3. From January 1, 2011 - 15%

Kazakh source income of non-residents not connected with a permanent establishment is subject to withholding tax at the source of payment at the rates outlined below. The base for withholding tax in this case is aggregate annual income without deductions.

<i>Type of Income</i>	<i>Withholding Tax Rate</i>
Insurance premiums paid under risk insurance agreements	15%
Insurance premiums paid under reinsurance agreements	5%
International transportation services	5%
Royalty, income from provision of services, including management services, consultancy services, rent and other income (other than employment income)	15%

FILING AND PAYMENT REQUIREMENTS

Withholding tax must be paid to the Budget as follows:

1. In case if the non resident invoice is paid - within 25 (twenty five) calendar days of the following month after the payment of invoice;
2. In case if the non resident invoice is not paid, but will be considered as a deductible expense - WHT shall be paid within 10 (ten) calendar days after submission of annual CIT declaration.

The WHT shall be filled and reported to the Budget as follows:

1. In case if the non resident invoice is paid - within 15 calendar days of the second month, when the invoice is paid;
2. In case if non resident invoice is not paid - the reporting deadline is February 15 next of the reporting year.

VIII. TAXATION OF SUBSURFACE IN KAZAKHSTAN

LEGISLATION

"Subsurface users" is the term used in Kazakhstan Tax Legislation to describe a physical entity or company that extracts natural resources, including oil, gas, precious metals, precious minerals, underground water and common minerals. Most of the legislation stipulating special payments and taxes do not apply to companies extracting commonly occurring useful condition or after insignificant processing to satisfy local business needs.

Subsurface users must all individually conclude a contract with the government of the Republic of Kazakhstan, which will normally establish all taxes applicable to the contractor over the term of the contract, either directly or by way of reference to the Tax Code.

There are two types of contracts, 1st model considers payment of all taxes stipulated by Kazakh Tax Code, with the exception of the share of the Republic of Kazakhstan in production sharing; the 2nd model differs from 1st in that 2nd model generally excludes the payment of the following taxes: economic rent tax on oil for export, gas condensate, excise tax on crude oil, gas condensate, excess profit tax, land tax, property tax.

The conditions for taxation according to the 1-st model shall be calculated in accordance with tax legislation of the Republic of Kazakhstan valid at the moment obligations for their payment arises. The conditions for taxation according to the 2-nd model shall only be determined in a production sharing agreement concluded in accordance with the procedure established by legislation of the Republic of Kazakhstan.

APPLICABLE TAXES

In addition to the taxes generally applicable to legal entities, the following taxes may be applicable to subsurface users:

Bonuses (subscription, commercial discovery);

Royalties;

Excess profit tax;

The Rent Tax is a completely new tax.

Royalties and Rent Tax apply to gross and are deductible in calculating both corporate income tax and excess profits tax

Below is a brief overview of the above-mentioned taxes.

BONUSES

Bonuses are fixed payments of subsurface users and are paid in cash in accordance with the procedure stipulated in the subsurface use contract. One or several types of bonuses may apply depending on the economics of the project. There are 2 types of bonuses: the subscription and commercial bonuses.

The *subscription bonus* is a single fixed payment by a subsurface user for the right to carry out the business of using the subsurface, paid when a contract is signed in accordance with the procedure established by legislation.

The measurement for the subscription bonuses is fixed by the Government of the Republic of Kazakhstan on the basis of the quantity of the mineral wealth and economic value of the field.

The *commercial discovery bonus* is a fixed payment that is paid by subsurface users when a commercial discovery is made in the contract territory. If in accordance with the contract, there is no permission for mineral wealth extraction, then the commercial discovery bonus is not set up. The amount of any commercial discovery bonus will be established in the contract.

ROYALTIES

A separate royalty regime applies to each type of useful mineral produced in the contract area (i.e. in a field producing both natural gas and oil, each may have a different royalty rate).

Royalties will, normally be expected to be paid in cash unless the contract establishes payment in kind. Cash royalty payment will usually be calculated by multiplying the production by a discounted benchmark price.

Royalties on hydrocarbons are calculated on the value of the produced output of hydrocarbons. This value is calculated on the basis of the average selling price of the hydrocarbons in the reporting period, without indirect taxes, reduced by the actual transportation expenses to the place of sale. In contracts for the production of hydrocarbons, royalties will be established on a sliding scale as a certain percentage, in relation to production outputs. Royalties are calculated on a cumulative basis over the life of the contract.

EXCESS PROFITS TAX

Subsurface users who do not operate under a production sharing contract or under contracts for extraction of commonly occurring useful minerals are subject to excess profit tax.

Please note that older PSA-type contracts may also incorporate provisions similar to the excess profit tax.

Tax on excess profit is calculated at the rates established below:

Internal Rate of the Return (IRR) %	Rates of Excess Profit Tax, % of net profit for taxable year
Less or equals to 1,25	0
More than 1,25 but less than 1,3	10
More than 1,3 but less or equal to 1,4	20
More than 1,4 but less or equal to 1,5	30
More than 1,5 but less or equal to 1,6	40
More than 1,6 but less or equal to 1,7	50
More than 1,7	60

IX. TAXATION OF FOREIGN INDIVIDUALS

TAX REGISTRATION OF FOREIGN INDIVIDUALS

Foreign individuals are obliged to register with the tax authorities for tax purposes if they become the residents of the Republic of Kazakhstan and meet one of the following conditions:

- if a foreigner was present in Kazakhstan for more than 183 calendar days in any consecutive twelve month period that ends in a current tax period;
- if a quantity of days spent in Kazakhstan in the current tax period and two previous tax periods calculated with application of appropriate ratios for each tax period in total is more than 183 days:

If in the current tax period the foreign individual was in Kazakhstan Republic for less than thirty calendar days, then he does not become the resident for tax purposes and is not liable for the individual income tax.

In order to register for tax purpose, an individual must submit a tax registration to the local tax authorities that serve the individual's place of actual residence in Kazakhstan. Upon receipt of a tax registration form, the tax authorities will issue the Tax ID number for identification of an individual for tax purposes.

PERSONAL INCOME TAX EXPOSURE OF FOREIGN INDIVIDUALS

In general, the basis for the determination of Personal Income Tax exposure and computation of tax depends on the residency/ non-residency status of the individual.

Non-residents are subject to taxation only on their Kazakh source of income while residents are taxed on their income from worldwide sources. Income from worldwide sources includes interest, dividends, capital gains and other income received from the sources within and outside Kazakhstan.

We would like to note what income would be deemed to be income from a Kazakh source and therefore would be taxable for Kazakh tax purposes. Based on the Kazakh Tax Code, such income includes, among other items, the following:

- any income received under an employment agreement (contract) for work in Kazakhstan, regardless of where such income is actually paid;
- any income derived from the provision of services in Kazakhstan, regardless of where such income is actually paid.

All forms of compensation are generally taxable under Kazakh tax legislation. Further, any amounts of income, which are "direct or

indirect" income of the employee, are considered taxable for Kazakh Income tax purposes.

Individual Income Tax is applied at 10% from income earned.

PERSONAL INCOME TAX PAYMENT REQUIREMENTS FOR FOREIGN INDIVIDUALS

Foreign individuals that are paid abroad shall be required to make the installments of income tax on a quarterly basis.

All foreign individuals should pay Personal Income Tax to the Budget of the Republic of Kazakhstan on quarterly basis.

X. TAXATION OF LOCAL INDIVIDUALS

TAXABLE INCOME OF LOCAL EMPLOYEES

Based on the Kazakh Tax Code, any income received under an employment agreement (contract) including all forms of compensation is taxable income for individuals.

Individual Income Tax is applied at 10% from income earned.

WITHHOLDING INDIVIDUAL INCOME TAX FROM THE INCOME OF LOCAL EMPLOYEES

The following types of income are taxable with the withholding tax from the source of payment:

- Income of the employee
- Income gained from the temporary works
- Pension payments from accumulative pension funds
- Dividends, winnings
- Stipends
- Income under cumulative insurance agreements.

The following types of income of the physical persons shall not be subject to tax:

- hardship allowances, benefits, compensations, except for related to the salaries, that are paid from the State Budget, limited by the legislation of the Republic of Kazakhstan
- alimony
- reparation of damages received in relation with works made, as per the legislation of the Republic of Kazakhstan
- remunerations paid to the physical persons on their bank deposits and other operations that have the license of the National Bank of Kazakhstan Republic
- income received in relation with state securities
- all payments to the military personnel during their military services, personnel of Internal Affairs department, etc.
- lottery winnings up to 5 minimal computation indices (1273 KZT affective from January 1, 2009)
- payments as grants
- business trip allowances limited by the legislation of Kazakhstan
- official income of diplomats
- pension contributions from the State Pension Center
- training expenses in relation to company activity
- social pay for maternity leaves, for adoption of babies, limited by the legislation of the Republic of Kazakhstan, etc.

If individuals are paid locally, their individual income tax must be withheld at the source by the payer and remitted to the Budget of the Republic of Kazakhstan. Personal Income Tax withheld from payments made

to local employees is payable to the Budget either (i) on the day when the money for payment of salaries/ wages is withdrawn from the bank account by the employer, (ii) or, if the money is not withdrawn in such way - within 15th of the month following the month in which the payment of salaries/ wages was effected. The Individual Income Tax Report is submitted to the Tax Department by 15th of the month following the tax quarter. Annual tax returns are due by March 31st of the year following the tax year.

XI. SOCIAL PAYMENT FOR LOCAL AND FOREIGN INDIVIDUALS

According to the Kazakh legislation, the non-residents that created the permanent establishment in the Republic of Kazakhstan are liable for payment of the social taxes, social insurance and pension fund contributions for their employees or the physical persons - one-time work providers. Please note that the responsibility for payments to the social funds rests with the employer.

	Taxable Base	Rates	Payment Deadlines	Filing Deadlines
Pension Fund	Gross salary of the employee	10% (flat rate)	On the date set for salaries/wages payment but no later than 10 th of the month following the taxable month	Quarterly: by 20 th of the month following the reporting quarter
Social Tax	Gross salary of the employee decreased for the amount off pension contributions	11% (flat rate)	On the date set for salaries/wages payment but not later than 25 th of the month following the taxable month	Quarterly: by 15 th of the month following the reporting quarter

At the same time the foreign employees who became tax residents are subject to Social Tax on their Kazakh source of income.

XII. VALUE ADDED TAX (VAT)

RATE AND BASE

The taxpayers of VAT are the legal entities that have been registered with the Tax Department for the VAT purposes. In this case the Tax Department issues the VAT certificate on the name of the taxpayer. If the minimal turnover for any period (but less than twelve-month period) exceeds the 15000-time amount of the minimal computation indices (that is 1273 KZT for 2008), then the legal entity must submit the application to the Tax Department for getting the registration certificate as the VAT taxpayer. If for the last twelve-month period the measurement of the turnover is less than the minimal turnover, then the legal entity can submit the order to the Tax Department for canceling the registration for VAT purposes. But this can be made only after 2 years of being registered as the VAT payer. If the legal entity stopped the activity connected with the taxable turnovers, then it must apply for canceling the registration for VAT purposes.

VAT RATES

When goods are sold or imported, or services are performed on the territory of Kazakhstan they are subject to VAT. The general rate of VAT is **12%** (effective from January 1, 2009), shall be applied to taxable turnover, with the exception of those cases stipulated a zero rate of value added tax.

VAT able turnover is based on value of goods and services sold, but not less than actual purchasing price for the trade activities, and actual cost of production for production activities.

The VAT to be paid to the State Budget of the Republic of Kazakhstan is defined as the difference between the amounts of VAT issued for the goods sold, works and services provided and the amounts of VAT due to be paid for the goods bought, works and services received.

The base for import VAT is customs value of imported goods, inclusive of customs duties and fees.

VAT should be paid to the budget by 25th of the second month following the quarter when taxable operation occurred. If average monthly amount of VAT that is to be paid to the budget for the previous quarter is less than 1000 monthly computable indices then the tax period for VAT purposes is the quarter. Otherwise, the tax period is the calendar month. The taxpayer must submit the VAT Declaration for each tax period by the 15th of the second month following the tax period (quarter). Additionally with the VAT Declaration the list of the tax invoices on goods, works and services for the tax period must be presented.

IMPORT AND EXPORT VAT

Import of goods from non-CIS countries, and those of the CIS countries with which a relevant bilateral VAT agreement is signed, is subject to

import VAT; import from other CIS countries is not subject to Kazakh import VAT, unless VAT has not been paid in the exporting countries.

Import VAT is offset able against output VAT once it has been paid to the Budget of the Republic of Kazakhstan.

However export to the CIS countries, except for those with which a relevant bilateral VAT agreement is signed, is not considered as export and is subject to Kazakh VAT.

REVERSE-CHARGE VAT

Reverse-charge VAT (VAT non residents) at the rate of 12% applies to works or services providing on the territory of Kazakhstan by non-residents not registered in Kazakhstan for tax purposes. Responsibility for assessing and remitting reverse-charge VAT rests with Kazakh taxpayers to non-registered non-residents.

The VAT from the non-residents is paid by 25th of the month following the tax period.

Reverse-charge VAT is offset able against output VAT once it has been paid to the Budget of the Republic of Kazakhstan.

VAT EXEMPTIONS

Certain turnovers are exempted from VAT. These include rent and sale of land and buildings (except for first sale of buildings, hotel and parking charges), financial services, financial lease, sale of certain medicines, the income of lawyers and notary departments, the services provided by the National Bank of Kazakhstan Republic, production and sale of newspapers and magazines, international transportation services (outside CIS), geological exploration and survey works, privatization of state property, contributions to the charter funds, and transfer of the part of an operating entity or the right for subsurface usage.

Goods imported for charitable purposes and for official use by foreign diplomatic offices and representations are exempted from import VAT.

TURNOVERS RATED WITH 0% RATE

The turnover on export of goods, excluding export of crow-bar of non-ferrous and ferrous metals, is taxed with 0% rate.

The turnovers on the following international transportation services are liable to 0%-rate taxation:

- transportation of goods, including the post, that is exported from and imported to the Republic of Kazakhstan
- transportation of transit freights over the territory of Kazakhstan Republic
- transportation of passengers and luggage in international communications

Also, the turnovers of the contractors that work under the PSA are liable for 0%-rated VAT. Please note that this relates only to searching, exploration and extracting works.

RECOVERABILITY OF INPUT VAT

VAT paid on business inputs, except for passenger cars and buildings is generally recoverable. VAT on passenger cars and buildings are capitalized.

The goods, works or services receiver is entitled to recover the input VAT in the following cases:

- if the goods, works, services receiver is the VAT-payer as per the Tax Code of Kazakhstan Republic
- if the supplier presented the VAT invoice with indication of VAT amount
- in case of import of goods - the amount of VAT paid to the budget
- for the amount of VAT paid on behalf of non-resident non-registered for tax purposes

Offset of VAT is concerned for the tax period, in which the goods, works and services received.

The VAT is not offset able in the following cases:

- if the VAT able turnover is not related to the business activity
- when buying the buildings or part of building, excluding the building for hotels
- when buying the passenger cars as the asset
- for the goods and services used for the repair or maintenance of the rented premises of the housing resources, except the cases when the maintenance expenses are recovered by the lesser and are the taxable turnover of the lessee
- For the property received free of charge, except the cases when this property delivered from outside of Kazakhstan and VAT on import has been paid by the addressee.

No offset of input VAT is available for VAT- exempt turnovers. Producers of goods, works or services subject to zero rate of VAT are entitled to offset their input VAT against other tax liabilities or to refund from the Budget of the Republic of Kazakhstan within 90 days based on the application of the taxpayer.

SPECIAL REGIMES

Special regime of import VAT is established for certain raw materials, medicines and equipment, list of which is issued by the Government. In accordance with this special procedure, import VAT does not have to be paid at the moment of import of the goods, but may be immediately offset against output VAT, thus eliminating cash flow disadvantage which is usually associated with payment of import VAT.

Payment of import VAT on raw materials and materials imported for industrial processing may be deferred for three months by the tax authorities in agreement with the financial authorities. During the three

months, the amounts of import VAT due on such raw materials and materials are offset against output VAT of the importing entity.

The "offset method" of payment of VAT has been recently introduced for sales of raw materials (except for all types of alcohol) for primary processing by Kazakh resident producers of such raw materials. This "offset method" implies that VAT is not charged by the producer of raw materials at the moment of their sale for primary industrial processing, and no input VAT on such sales may be offset against other tax liabilities or refunded from the Budget (i.e. effectively the "offset method" is somewhat similar to exemption from VAT).

XIII. PROPERTY TAX

The property of the Legal Entities – residents and non-residents and sole proprietors in the territory of the Republic Kazakhstan is subject to the property tax. In case the owner transferred control of the property or granted on lease to other legal entity, then the lessee may be a taxpayer, as per the agreement with the owner.

The objects of taxation are the fixed assets and intangible assets.

The property tax is not the subject of taxations for:

- payers of the unified land tax limited as of the Legislation of Kazakhstan Republic
- subsurface users that work under the second model of the tax regime
- organizations that are granted by government budget
- the National Bank of Kazakhstan Republic, it's branches and representatives
- religious organizations

The following items are not subject for taxation with property tax:

- Land that is subject to land tax
- Transport that is subject to transportation tax
- Fixed assets that are on temporary closing-down as per the decision of the government of the Kazakhstan Republic
- Governmental highways for common usage and the road constructions (bridges, over-, underpasses, tunnels, etc.)
- Fixed assets that newly put into operation in the network of the investment projects

The tax base for property tax is the average annual depreciated cost of the taxation objects that is defined as 1/13 of the total amount of the depreciated costs of assets for 1st of each month of the current tax period and 1st of the month following the tax period.

The tax period for calculation of property tax is the calendar year. The property tax rate for resident and non-resident legal entities is 1,5% (effective from January 1, 2009) from the average annual cost.

The payment of property tax is to be made to the budget of the fixed asset location, independently of the place of registration of the legal entity.

The property tax declarations shall be paid by 25th of February/May/August/November and paid by the same deadline.

Annual Tax Declaration is due by March 31st of the year following the tax year.

XIV. TRANSPORTATION TAX (HORSE POWER TAX)

Taxpayers of the transportation tax are the physical persons and legal entities that own the transport.

The transport carriers, except trailers, are the subjects of transport tax.

The transportation tax is not the subject of taxations for:

- payers of the unified land tax limited as of the Legislation of Kazakhstan Republic
- organizations that are granted by the government budget
- members of the Great Patriotic War, heroes of the Soviet Union, etc. - only one carrier that is the subject of taxation
- invalids - only one cycle-car and automobiles

The following transport carriers are not the subject of transport tax:

- lime-pit dump trucks carrying capacity of which is 40 tons and more
- specialized medical carriers

The rates of the transportation tax are as follows:

Taxable subject	Tax rate (monthly computation indices - 1168 tenge in 2008)
1	2
Passenger cars with engine capacity (cub.sm.)	
Up to 1100	4,0
from 1100 to 1500	6,0
from 1500 to 2000	7,0
from 2000 to 2500	12,0
from 2500 to 3000	17,0
from 3000 to 4000	22,0
over 4000	117,0
Trucks, special vehicles with carrying capacity (excluding trailers):	
Up to 1 ton	6,0
from 1 ton to 1,5 ton	9,0
from 1,5 ton to 5 ton	12,0
over 5 ton	15,0
Self-propelled machines and pneumatic mechanisms, excluding the caterpillar machines and mechanisms	3,0
Buses:	
Up to 12 seats	9,0
From 12 to 25 seats	14,0
Over 25 seats	20,0

Motorcycles, scooters, small size vessels with engine power not more than 55 kWt	1,0
Motorcycles with the engine power more than 55 kWt	10,0
Launches, vessels, towboats, yachts (engine power in horse-power)	
Up to 160	
From 160 to 500	6,0
From 500 to 1000	18,0
Over 1000	32,0
	55,0
Aircrafts	4,0% from the monthly computation indices from each kilowatt capacity

The tax period for the transport tax is the calendar year.

Example:

*The carrier (truck) has been purchased and registered in April of 2008
The transportation tax, as per item 2, is $9,0 * 1273 \text{ tenge} = 11457 \text{ tenge}$
= approx.US\$80.*

The taxpayers submit the Transportation Tax Declaration to the Tax Department by 5th of July of the year following the tax period.

XV. LAND TAX

The following physical persons and legal entities having taxable items on the following rights are payers of the land tax:

- on the right of ownership
- on the right of the permanent usage of land
- on the right of the primary free-of-charge temporary usage of land

The subject to land tax is a Land.

The following items are not subject to Land Tax:

- lands for general use
- auto roads for general use
- lands under the temporary closing-down according to the Government of Kazakhstan Republic
- lands used for investment project implementation

TAX BASE AND TAX RATES

Tax base for the land tax is the land area.

Tax rates of the land tax are calculated upon 1 hectare and are differentiated according to the ground quality.

PAYMENT REQUIREMENTS OF THE LAND TAX

The Land Tax is calculated starting from the month following the month of receipt of the land.

Payment of the land tax should be made to the budget on land destination.

Taxpayers must make advance payments of land tax by 20th of February, 20th May, 20th August, and 20th November of the current year. The Calculation of advance payments for newly acquired and (or) left assets during the tax period is to be submitted by the next period following the date of acquisition.

The final calculation and payment must be made not later than 10 working days after submittal of the Tax Declaration for the tax year.

FILING REQUIREMENTS

The Land Tax Declaration should be submitted not later than 31st of March of the year following the tax year.