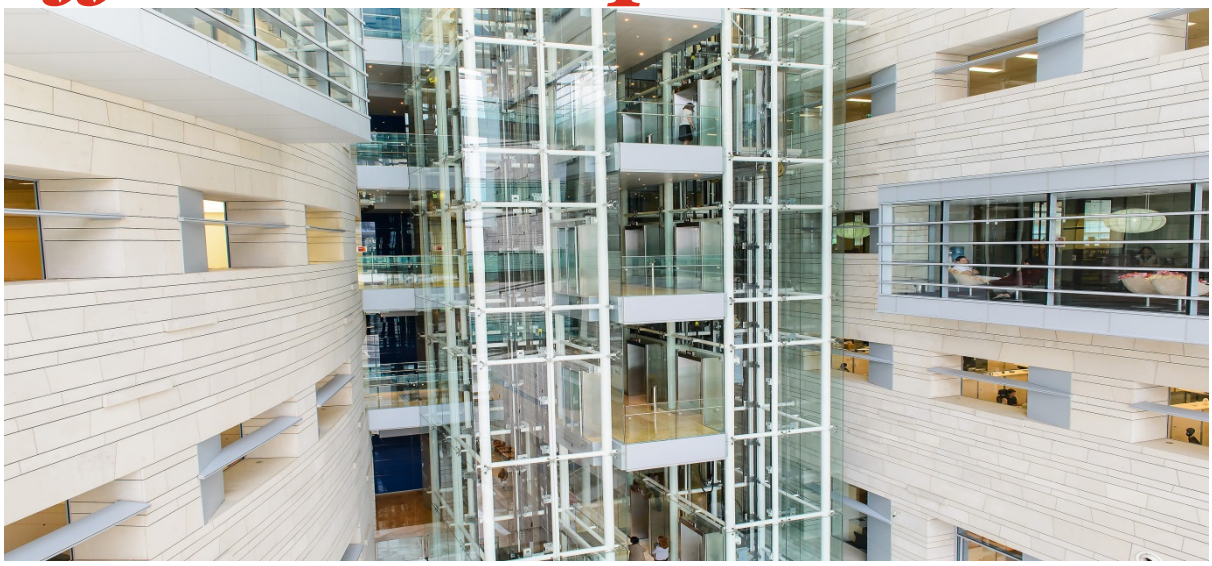
Measures to encourage investment and focus on tax evasion through offshore companies



Issues covered include investment incentives for large projects, a pilot visa free regime, new criminal and related laws, immigration provisions related to Expo 2017, and acting against tax evasion using offshore centres.

Investment climate

Investment preferences

On 24 June 2014, the law on "Introduction of amendments and additions to some legislative acts of the Republic of Kazakhstan on improvement of the investment climate" came into effect. The law prioritises investment projects in listed priority sectors (primarily manufacturing, not oil and gas) of apprx. 20 mln USD.

Other measures include:

- 10 years exemption from corporate income tax and land tax, as well as 8 years exemption from property tax;
- state reimbursement for up to 30% of capital expenditures after commissioning;
- the right to employ foreign labour until one year after construction is complete, free of quotas and permissions.

Some provisions come into force on 1 January 2015. [1]

Visa Exemption

A pilot visa-free regime was introduced for citizens of 10 countries – the United States, the United Kingdom, Germany, France, Italy, Malaysia, Netherlands, the UAE, South Korea and Japan – from 15 July 2014 to 15 July 2015 (based on a government resolution of 11 June). [2]

Investment protection agreement with Estonia

This agreement was signed on 2 July. It applies to investments made before or after its entry into force but does not apply to any existing dispute. It regulates issues such as expropriation, nationalization, compensation payments to the investor and dispute resolution. [3]

New codes

Criminal code

A new Criminal Code modernizing the criminal law to strengthen the fight against crime and improve protection of rights of citizens and state interests will come into force on 1 January 2015. [4]

The new Code introduces criminal penalties for insider trading and other similar activities.

Criminal Procedure & Criminal Executive Codes

A new Criminal Procedure Code to modernize the criminal justice system and bringing it into line with international standards will come into force on 1 January 2015. [5]

A new Criminal Executive Code will come into force on 1 January 2015 too. [6]

Code on Administration Violations

A Code on Administrative violations will come into force on 1 January 2015 modernizing administrative-delict legislation [7].

Other issues

Expo-2017

Entry and registration rules of the participants of EXPO-2017 came into force on 7 June 2014 and will be valid until 2 December 2017 [8].

At least 2 months before arrival, participants and their staff must submit applications for identification cards to the official electronic address of the control centre.

Free access to the facilities of the exhibition will be provided on the basis of an accreditation card (will replace a Kazakhstan visa).

Accreditation cards will be issued for up to 12 months with possibility of extension.

The issuance of ID and accreditation cards for employees of the exhibitors is conducted between 1 April 2014 and 1 December 2017. For participants, the period is 1 January to 1 November 2017.

Tax Evasion

The government is starting to copy international practices on fighting tax evasion through offshore centres.

Agreements on exchange of information on tax issues with countries with preferential taxation (based on an OECD model) are planned. [9]

A review of tax treaties concluded in the 90s is in progress. The backdrop is changes to model treaties of the OECD and UN which favour developing countries, in

particular regarding exchange of information. Protocols with the Czech Republic, India, Azerbaijan, and Belarus are at the stage of signing. Negotiations to amend the agreements with Russia, Uzbekistan, the United Kingdom, France, China and Bulgaria are envisaged.

Draft law on improvement of the business environment

The Ministry of Regional Development has developed a draft law relating to improvement of the business environment.

Measures include as organization of inspections based on risk assessments, simplified procedures for voluntary liquidation, introduction of business ombudsman, stricter licensing requirements. [10]

Comments of the President

At a meeting of the Foreign Investors' Council the President spoke about the need to simplify procedures for supply of land to business. He also acknowledged the need to move towards intellectual property protection standards of OECD countries. [11]

References

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