

Business relocation to Kazakhstan: key practical considerations



GRATA International Law Firm
May 2022

Why Kazakhstan?



Strategic geographical location (i.e. a trade gateway to a market of about 183 million consumers in the Eurasian Economic Union (EAEU), including Russia, 50 million in Central Asia and 300 million in Western China) and ease of travel to Europe and East Asia with direct flights to major destinations.



Friendly relations with all great powers (e.g. Kazakhstan is a member-state of the Russian-led EAEU, plays important role in the China's Belt and Road Initiative and is a key business partner of the West in Central Asia).



Russian language is the official language and it's considered an unofficial lingua franca in Kazakhstan. English language is the official language of the Astana International Financial Centre (AIFC)



"New Kazakhstan" - upheavals in January 2022 have been successfully overcome and gave impetus for long-overdue political and economic reforms.

Why Kazakhstan?



Available talent and skill of labor (31st on the World's Bank Human Capital Development Index)



A developed and stable banking system (e.g. it is widely recognized that Kazakhstan has one of the most advanced banking systems in countries of the former Soviet Union)



Low tax rates (Kazakhstan ranked 55 out of 100 v Turkey 71 out of 100 in Tax Attractiveness Index 2018)



Visa-free regime for, generally, 30 days for foreign citizens from 73 countries, including all OECD members.



Low cost of labor and utilities (e.g., average monthly wage is: \$611)

Legal forms for doing business in Kazakhstan: one country two legal systems

Option I - “Mainland”

Opening of a legal entity under the laws of Kazakhstan (**civil law jurisdiction**) as a:

- Limited Liability Partnership (LLP). Kazakh LLP is an analogue of the Russian “OOO” and close equivalent of the LLC in US. Minimum charter capital is, generally, about 700 USD (minimal charter capital requirement does not apply to LLP which is subject of small business). The overall process of registration, including opening bank account etc., is about 2-4 weeks.
- Joint Stock Company (JSC). Minimum charter capital is about USD 350,000. The overall process of registration, including opening bank account etc., is about 1-3 months.

LLPs are usually the preferred corporate form because they offer more flexibility vis-à-vis corporate housekeeping, general compliance matters and maintaining the closely held nature of the business.

Option II - AIFC

Opening of a legal entity under the AIFC law (**common law jurisdiction**) as a Private Company (the most popular legal form), though one may also choose most of legal forms available under English law. The overall process of registration, including opening bank account etc., is about 1 week.

Unlike Kazakh law, AIFC law allows:

- The charter capital to be denominated in USD.
- No minimum charter capital requirement even for the SMEs.
- Re-domiciliation of foreign company to the AIFC (i.e. no need to establish a new legal entity).
- Trust, shareholder agreement, put and call options and other legal concepts of a common law jurisdiction.
- Special tax (applicable only for financial organizations), currency and visa regimes, as well as a favourable framework for attracting foreign labour.

The AIFC is effectively a separate jurisdiction with its own law based on English law principles, its own court with English judges, its own facility for arbitration (IAC) and its own regulator of financial services (AFSA). Although AIFC is aimed at servicing financial transactions, it has become a popular venue to form joint ventures and operating companies.

Taxation and Customs

- 1) Registering a business vehicle requires obtaining a Business Identification Number (BIN) that is automatically included in the registry of taxpayers.
- 2) The **VAT** rate is **12%**. The obligation to register as a VAT payer arises if the amount of taxable turnover for VAT purposes exceeds the approximately US\$200,000 minimum threshold during the calendar year.
- 3) **Corporate income tax** applies to Kazakhstani legal entities and non-residents acting through the so-called permanent establishment (a PE includes a branch, office, place of management, the provision of services in Kazakhstan for a certain period of time and an agent with contract-signing authority) in Kazakhstan at the standard rate of 20%.
- 4) **Personal income tax** - generally **10%**.
- 5) The statute of limitation period for a tax obligation and claim - **3 years** after the end of the relevant tax period.
- 6) Kazakhstan has entered into bilateral treaties to avoid double taxation with 55 countries, including Russia.
- 7) The EAEU enables the freedom of movement for goods, services, capital and workforce and no customs duties apply within the EAEU (i.e., Russia, Belarus, Armenia, Kyrgyzstan and Kazakhstan).

Currency regulations / Banking

- In general, Kazakhstan's foreign currency regulations are not overly restrictive.
- All payments between residents of Kazakhstan must be, generally, in local currency (Tenge).
- Save for participants of the AIFC, all other companies -residents of Kazakhstan are required to notify the Kazakh National Bank when opening bank accounts outside Kazakhstan.
- Residents of Kazakhstan must register with the National Bank certain transactions (e.g. loans) with nonresidents if the payment under such transaction exceeds USD 500,000.
- A Kazakh resident must ensure that currency proceeds under export or import contracts are repatriated to Kazakhstan (i.e., credited to a bank account with a local bank) within the established time limit.
- There are no restrictions or limitations placed on foreign investors in converting, transferring, or repatriating funds associated with an investment (e.g. remittances of investment capital, earnings, loan or lease payments, royalties).
- No restrictions on non-residents opening a bank-account in Kazakhstan and expats from any country can easily open a local bank account in either the local currency (Tenge) or USD, GBP or Euro.



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