

## **MG Partners Law Firm**

**MG Partners** is an international law company established in 2008.

We render for the clients the services relating to business registration, receipt of licenses, settlement of transactions relating to sale and purchase of interests in the companies. We help with taxation, hold consultations on land, labour matters, etc.

Thanks to satisfied clients, successful transactions and won legal cases, every year we consolidate reputation of our law company. There is a reason why we are one of the leading law companies engaged in corporate practice in the Republic of Kazakhstan. Our foundation is a close-knit team composed of professional lawyers and recommendations of our partners.

- Personnel: 20
- Experience: 10 years
- Clients: >100
- Offices in Kazakhstan: Astana, Karaganda

In the event you are a non-resident of the Republic of Kazakhstan and you are going to do business within the RK, then you should know more about our direction of work with foreign partners in special section: <https://world.mg-partner.com>

You can get accounting support and consultations on taxation in Kazakhstan from our professional team from **MG Tax&Accounting** (see details at: <https://ta.mg-partner.com>).

**MG Partners** consults its clients in the following fields of the law:

- Corporate law and M&A transactions
- Taxation and accounting
- Judicial practice
- Licenses and permits
- Real estate and land
- Contract law
- Intellectual property
- Debt collection
- Construction and infrastructure
- Protection of personal data and confidentiality
- Rehabilitation and bankruptcy
- Labour law

For more detailed information, please, visit our web-site: [mg-partner.com](http://mg-partner.com)  
e-mail: [info@mg-partner.com](mailto:info@mg-partner.com)

Yours sincerely,  
**MG Partners**

## Forms of business in Kazakhstan

The legislation of the Republic of Kazakhstan provides for a number of legal forms of organizations to do business. We recommend such forms as a Limited Liability Partnership (LLP) or a Joint-Stock Company (JSC). We also recommend to do business through branches and representative offices of foreign legal entities.

### Limited Liability Partnership (LLP)

The LLP is the most common type of a legal entity to be established by one or more persons being members, which shall not bear liability for its obligations, but bear risk of losses in connection with activities of a company within the limit of their interests/an amount of the authorized capital stock. The company with such a form (LLP) bears liability limited to an amount of its assets, id est the company is liable with all of its properties recorded in its balance sheet. The minimal requirement for the authorized capital stock for the small business entities is: \$0, for the medium-scale and big business entities – \$680.

The interests of the members of the company (LLP) in the authorized capital stock are generally allocated in proportion to their contributions. The members shall have the preemptive right to purchase an interest with respect to interests of the members retiring from the company.

Under the law, the bodies of the company (LLP) shall be:

- 1) a supreme body of a partnership – a sole member or a general meeting of members;
- 2) an executive body of a company – a general director. An executive body may be collegial.

### Joint-Stock Company (JSC)

A Joint-Stock Company is a legal entity, which issues the shares in order to raise capital for the purposes of its activities. Under the law, the JSC may have unlimited number of shareholders.

Both the shareholders and the members of the LLP shall not bear liability for obligations of their company (JSC), but they only bear risk of losses in the amount of value of their shares. The company (JSC) shall be liable with all of its properties recorded in its balance sheet. The authorized capital stock is required to amount to \$340,000.

Corporate governance of the Joint-Stock Company:

- 1) a supreme body – a sole shareholder or a general meeting of shareholders;
- 2) a governing body – a board of directors;
- 3) an executive body may be sole or collegial.

### Branch of a foreign legal entity and their representative office

A branch and a representative office shall be a business unit of a foreign legal entity and shall not be independent. A branch may perform all or a part of the functions of a parent company, including entrepreneurial activity.

A representative office shall not be entitled to carry out entrepreneurial activity for the purpose of income derivation, but it shall only represent interests of a parent company.

The representative offices and branches shall act on the basis of the Regulations of a branch (representative office). A branch (representative office) shall be managed by a director authorized by a power of attorney issued by a parent company. A branch (representative office) shall be established mainly in the same manner as the legal entities and it shall be subject to essentially the same restrictions, which are imposed on legal entities.

The general stages of our interaction with our company when opening a business in Kazakhstan are described below:

### **1. Preparatory stage**

To register a business in Kazakhstan it is required to carefully prepare all necessary documents, to draw up an application and other required documents, to have the draft documents approved and signed by a client, and, if necessary, to translate into the Kazakh and Russian languages.

### **2. State registration**

An electronic registration of a legal entity or its business unit (Branch/Representative office) by means of an electronic digital signature through the web-portal of a registering authority. We control the process of electronic registration.

### **3. Making a seal**

Design of a seal is developed and coordinated with a client through e-mail (messenger). The control is carried out while a seal is made by an organization holding a permit to make seals, and then a seal is obtained under a power of attorney.

### **4. Final stage – opening a bank account**

Assistance in selecting a second tier bank. Negotiations with a bank manager. Preparation of the documents to open a bank account, subject to the right of first signature (second signature). Presentation of prepared documents to a bank. Opening a bank account for a client. Registration in on-line banking system for an owner of a company or its business unit (Branch/Representative office) and an accountant.

### **5. Free of charge accounting services – one month**

As a bonus: when choosing the service “Turn-Key Business Registration”, we offer you opportunity to get accounting support free of charge for one month after registration of a company or its business unit (Branch/Representative office). Upon expiration of a month, the specialists of our accounting bureau – MG Tax&Accounting – will prepare a report on perform work and give consultations in the area of taxation in Kazakhstan.



## Comparable table of organization forms to do business in Kazakhstan.

List	Branch	LLP
<b>Property</b>	To be form out of funds assigned to it by a legal entity. All properties are owned by a legal entity, which establishes it, and may be seized by it at any time.	It has own detached property to be formed at the expense of contributions of its founders (members), as well as the funds earned in the course of production-and-business and other activities.
<b>Activity</b>	It shall only perform those functions, which are assigned to it by a parent organization. A scope of activity of a branch may not go beyond the limits of the scope of activity of a legal entity established it.	It is entitled to carry out any types of activities, which are not prohibited by the legislation.
<b>Liability</b>	A legal entity shall bear full liability for activities of its branch, including obligations, which are assumed by a branch.	The legal entities shall be liable for their obligations with all property owned by them (but NOT personal property of the members and/or a director).
<b>Registration terms</b>	10 business days	1 business day

## Taxation structure in Kazakhstan

There are different types of tax treatments in the Republic of Kazakhstan. The basic treatments, which are often used by the entrepreneurs, are the generally established and simplified treatments.

**In the event of the generally established treatment a corporate income tax (CIT) is levied at 20% rate, and expenses are taken into account. In the event of the simplified tax treatment the CIT is levied at 3% of the total money turnover notwithstanding incurred expenses.**

The small business entities shall have the right to use the simplified treatment, if:

- the number of employees for a tax period does not exceed 30 persons;
- income for a half of a year does not exceed 30,000 MCI (KZT 75,000,000/\$200 000).

They have not the right to carry out the following types of activity:

- storage, wholesale, production of excisable goods;
- sale of specific types of oil products;
- lottery;
- subsoil use;
- collecting and accepting glass containers;
- collecting (blanking), storing, recycling and selling scrap and wastes of non-ferrous and ferrous metals;
- consulting services;
- activities in the field of business accounting or audit;
- financial, insurance activity and intermediary activity of an insurance broker and an insurance agent;
- activity in the field of law, justice and jurisdiction;
- activity within the scope of financial leasing;

- services provided on the basis of agency contracts (agreements).

Who has not the right to use simplified tax treatment?

- legal entities having business units (branches, representative offices);
- **business units of legal entities (branches and representative offices);**
- legal entities in which an interest of the other legal entities exceeds 25%;
- legal entities a founder or a member of which is simultaneously a founder or a member of another legal entity using the simplified tax treatment;
- non-for-profit organizations;
- payers of a tax on gambling industry.

### Comparative table of basic taxes and payments.

	Taxes and other compulsory payments	LLP	Branch
1	<p><b>CIT</b></p> <p>Return on CIT (<u>form 100.00</u>) shall be filed to the tax authorities on or before 31 March of a year following a reporting tax period. Payment date: on or before 10 April.</p>	<p>20% rate (generally established treatment) (subject to expenses)</p> <p>3% rate (simplified treatment) (without regard to expenses)</p>	20% rate
2	<p><b>Tax on net income of a non-resident</b></p> <p>Taxable item: net income of a branch. Return on CIT (<u>form 100.00</u>) shall be filed on or before 31 March. Payment date: on or before 10 April.</p>	N/A	<p>15% rate</p> <p>10% rate (according to the Convention)</p>
3	<p><b>CIT at source of dividend payment</b> (founders/members)</p>	<p>15% rate</p> <p>10% rate (according to the Convention)</p>	N/A
4	<p><b>CIT at source of incomes payment to non-residents</b> (works, services)</p>	<p>20% rate</p> <p>0% rate (according to the Convention)</p>	<p>20% rate</p> <p>0% rate (according to the Convention)</p>
5	<p><b>Tax on property</b> (if there is ownership in buildings, structures)</p> <p><b>Taxable item:</b> buildings, structures. Return on tax on property, transport and land tax (<u>form 700.00</u>) shall be filed to the tax authorities on or before 31 March following a reporting tax period (calendar year).</p>	<p>1.5% rate (generally established treatment)</p> <p>0.5% rate (simplified treatment)</p>	1.5% rate

6	<p><b>VAT in the RK</b> (for VAT payers)</p> <p><b>12% rate</b> – in the event of voluntary or compulsory registration as a VAT payer (in case of excess of the minimal turnover of 30,000 monthly calculated indices (MCI)* for a calendar year (from 01.01 to 31.12).</p> <p>*1 MCI = \$7-8.</p> <p><b>Taxable item:</b> a difference between charged VAT and credited VAT for a quarter.</p> <p>Return on VAT (<u>form 300.00</u>) shall be filed to the tax authorities on or before 15<sup>th</sup> day of the second month following a reporting tax period (quarter).</p> <p><b>Date of payment</b> of VAT: on or before the 25<sup>th</sup> day of the second month following a reporting tax period (quarter).</p>	12% rate	12% rate
7	<p><b>VAT on import</b> (for all importers, which are/are not payers of VAT, in the event of importation of the goods, transport vehicles, equipment).</p> <p><b>Taxable item:</b> customs value of the goods imported to be measured in accordance with the customs legislation.</p> <p><b>Payment date:</b> on or before the 20<sup>th</sup> day of a month following a tax period.</p>	12% rate - to be set off for VAT payers;	12% rate - to be set off for VAT payers;
8	<p><b>Individual Income Tax (IIT)</b> from incomes of individuals under civil contracts and employees</p>	10% rate	10% rate
9	<p><b>Tax on transport</b> (if there is a company has in the RK the motor transport recorded in a balance sheet)</p> <p><b>Taxable item:</b> transport vehicle engine volume</p> <p>Return on tax on property, transport and land tax (<u>form 700.00</u>) shall be filed on or before 31 March of a year following a reporting tax (year).</p>	A tax is charged at the rates fixed in terms of MCI per engine volume.	A tax is charged at the rates fixed in terms of MCI per engine volume.

When registering as a VAT payer, an address of the LLP must be actual, as employees of the tax authorities will check from time to time actual presence of a company at the registered address.

However, it is not obligatory to register as a VAT payer at once at registration of the LLP. A person shall be registered as a VAT payer in two events:

- compulsory registration, i.e. if a turnover per a year exceeds \$200,000;
- voluntary registration: at any time, during 1 business day.  
*A director is not required to be personally present for this purpose. This procedure is performed electronically.*

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**world.mg-partner.com**

**10 YEARS**

**IN THE SERVICE WITH YOUR BUSINESS**

**info@mg-partner.com**

