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Alert on draft of amendments concerning special economic zones activity

At present two drafts of the amendments concerning activity of special economic zones (hereinafter – ‘SEZ’) are under consideration. One of these drafts suggests to expand the list of priority types of activities of SEZ Ontustik, while the other one suggests to create a new SEZ ‘Shymkent City’ on the territory of Shymkent.

SEZ Ontustik

At present the priority types of activities of SEZ Ontustik are spinning, weaving and finishing manufacture as well as manufacture of such products as:

- ▶ textile, knitted and nonwoven products;
- ▶ stationery;
- ▶ clothes;
- ▶ carpets;
- ▶ wood pulp and cellulose;
- ▶ paper and cardboard;
- ▶ leather products;
- ▶ coke and refined products;
- ▶ chemical industry products.

The draft suggests to add the following types of activities to the abovementioned list:

- ▶ manufacture of construction metal structures, cranes, valves, gates, pumps, compressors, electric motors, generators, transformers, electrical distribution and control equipment as well as metal tanks and containers;
- ▶ steel casting;
- ▶ iron casting;
- ▶ basic engineering processes;
- ▶ repair and maintenance of other electrical equipment.

SEZ ‘Shymkent City’

It is suggested to create the new SEZ ‘Shymkent City’ for the purposes of accelerated development as well as increase of tourist attraction and potential of Shymkent.

Legal entities and individual entrepreneurs will be entitled to register as the participants of the new SEZ ‘Shymkent City’ upon the condition that they will construct and commission one or more of the following objects on the SEZ territory:

- ▶ infrastructure objects;

- ▶ administrative and residential complexes;
- ▶ hospitals;
- ▶ outpatient clinics;
- ▶ schools;
- ▶ nurseries;
- ▶ museums;
- ▶ theaters;
- ▶ higher and secondary educational institutions;
- ▶ libraries;
- ▶ recreation centers for students;
- ▶ sport complexes.

The participants of the new SEZ 'Shymkent City' will be entitled to apply the following tax and customs incentives:

- ▶ exemption from corporate income tax in case of legal entities or individual income tax in case of individual entrepreneurs;
- ▶ exemption from land tax, property tax, fee for land plot use in respect of objects located at the SEZ territory;
- ▶ exemption from import VAT and customs duties in respect of products utilised on the SEZ territory.

About GRATA International

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Throughout its existence the Firm has developed an experienced tax practice. In view of this, in 2005 the tax department was formed. Unlike many consulting companies, GRATA's tax team comprised mainly of lawyers and auditors who have experience of working in the tax authorities. This feature enables us to provide our clients not only correct but practically feasible advice.

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