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The legal regulation of cryptocurrency and digital mining in Kazakhstan

Today, cryptocurrency and digital mining are attracting more interest from investors. At the same time, digital mining is expensive and risky business, which has become complicated by the different approaches of states to the legal regulation in this industry. Therefore, investors need to learn the project's costs and choose a profitable jurisdiction for the implementation of their projects.

With this article, we would like to describe the legal regulation of cryptocurrency and digital mining in Kazakhstan.

We note that the legal regulation of digital mining is now at the stage of formation in Kazakhstan. So, the article reflects the information based on current legislation.

Is digital mining legal in Kazakhstan?

Yes, digital mining is legal in Kazakhstan. In July 2020, Kazakhstan legislation established a legal regime for mining and cryptocurrency. About 17 mining farms are already working officially in Kazakhstan.

Is it necessary to obtain a special permit/license to carry out digital mining in Kazakhstan?

Yes, as of the date of publication of this article, Kazakhstan legislation provides for the following business authorizations for digital mining activity:

- ▶ A company must obtain permission for the import encryption (cryptographic) equipment from the National Security Committee of the Republic of Kazakhstan;
- ▶ A company must notify the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan about the planned activities (before design) for the construction of data centers (mining farms).

Are there any special taxes on digital mining in Kazakhstan?

Yes, from 1 January 2022, a tax on digital mining comes into force in Kazakhstan. The tax rate – 1 tenge (\$0,0023) per 1 kilowatt-hour of electrical energy consumed by digital mining.

The digital mining tax is a special tax for mining companies, but in addition, the company has other general tax liabilities.

Some general taxes in Kazakhstan include: CIT - 20%, VAT - 12%, PIT - 10%.

Is it possible to sell/rent/lease hash rate from Kazakhstan?

Kazakhstan legislation has neither rules governing operations with hash rates directly nor restrictions on this issue. Therefore, operations with hash rates are legal in Kazakhstan.

However, please note that Kazakhstan legislation characterizes cryptocurrency a form of property, not a financial instrument or means of payment. The Kazakhstan law prohibits an issue and a circulation of cryptocurrency in Kazakhstan.

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