

# NewsFlash

## Tax and Legal

February 2020

**Dear Readers,**

**A constitutional law<sup>1</sup> introduced amendments to the legislation on the Astana International Financial Center (hereinafter - the "AIFC"). The purpose of the amendments is to encourage new investments and to further improve the AIFC regulations. In this NewsFlash issue, we offer you an overview of the adopted changes.**

### Investment Tax Residency

The amendments introduce the concepts of an *investment resident* and the related *investment tax residency program* in Kazakhstan.

An investment resident of the AIFC is a foreigner or a stateless person who made investments under the AIFC investment tax residency program, and is simultaneously regarded as:

- a tax nonresident of Kazakhstan under the Kazakhstan Tax Code during the last twenty years preceding the initial application for the participation in the AIFC investment tax residency program;
- not a person whose Kazakhstan citizenship has been terminated during the twenty years preceding the application for the participation in the AIFC investment tax residency program.

The AIFC will issue an act regulating the investment tax residency program and establishing the investment volume and instruments. The AIFC will agree the investment tax residency program with the tax authorities and other relevant government agencies.

Investment residents recognized as tax residents of Kazakhstan under the Tax Code will be exempt from income tax on their foreign-source income until 1 January 2066. To apply for these tax benefits, an investment resident is required to make a mandatory payment to the state budget for issuing a document confirming the tax residency of Kazakhstan under the procedures established by the Tax Code.

The AIFC investment residents and their family members will receive Kazakhstan visas for up to five years. Issuance, cancellation, restoration, or reduction of the visa's validity for the AIFC investment residents will be performed upon a request of the AIFC administration under the legislation of Kazakhstan.

The abovementioned regulations related to the investment tax residency will enter into force after the introduction of the relevant amendments to the Tax Code.

### VAT Amendments

The amendments stipulate that a transfer of funds from the state budget to the AIFC administration and the subsequent transfer of these funds from the administration to the AIFC bodies are not regarded as turnover for VAT purposes. Also, works and services that nonresidents provide to the AIFC bodies are not regarded as works/services the turnover of which is subject to VAT.

The amendments also exempt from VAT certain financial services of the AIFC participants.

The VAT-related amendments entered into force on 11 January 2020.

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<sup>1</sup> Constitutional Law No. 296-VI of the Republic of Kazakhstan *On Amendments and Additions to Certain Constitutional Laws of Kazakhstan*, dated 30 December 2019

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