



*«Do not Advise the Acceptable, Advice the Best»
Solon, Ancient Greek Philosopher*

Tax privileges for PPP development. Current Status of the tax legislation and essential changes



Min Tax

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Loyalty of the level of the tax burden in the RoK

Sl. No.	Republic of Kazakhstan		For Example in the Russian Federation	
	Type of Tax	Rate	Type of Tax	Rate, %
1	2	3	4	5
1.	Corporate Income Tax	20 %	Tax on the profit of organizations	20 %
2.	Value-Added Tax	12 %	Value -Added Tax	18 %
3.	Personal Income Tax	10 %	Personal Income Tax	13 %
4.	Social Tax	11 %	Consolidated Social Tax	Repealed since 01.01.2010 *

** Instead of Consolidated Social Tax, the Obligatory Payments are effective in the Russian Federation which are subject to payment to:*

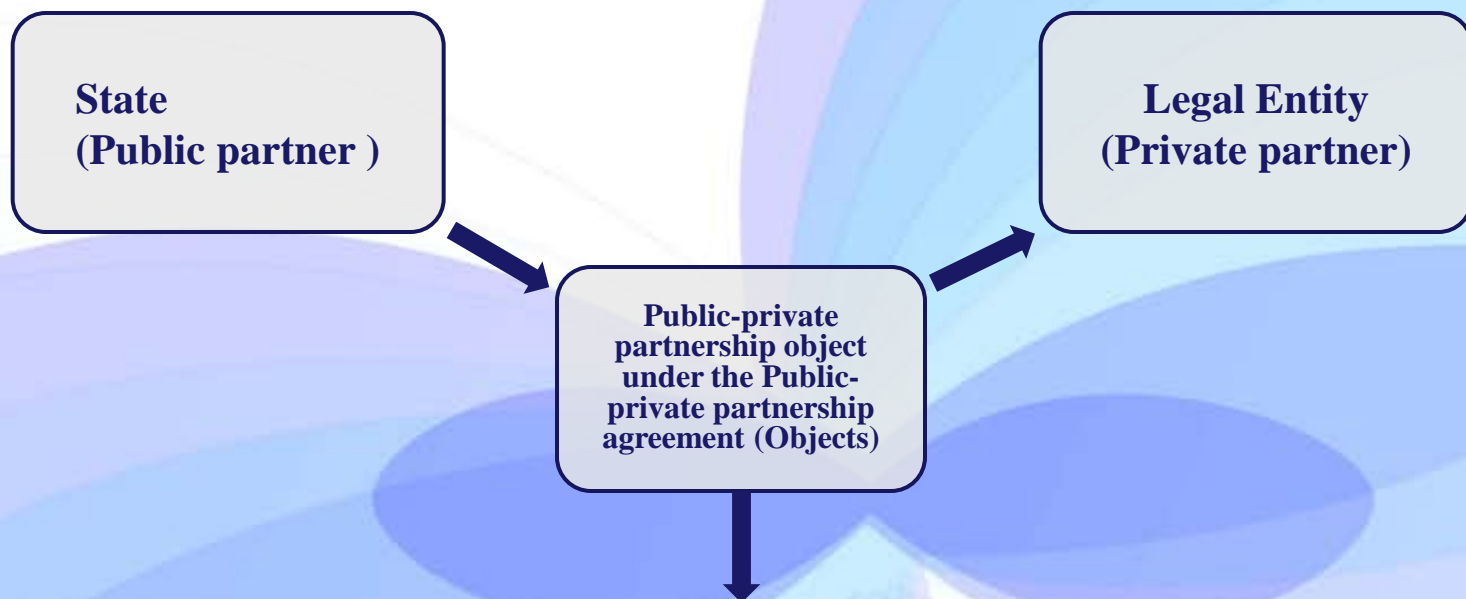
- *The RF Pension Fund – 26%*
- *The RF Fund of Social Insurance – 2,9 %*
- *The Fund of Obligatory Medical Insurance – 5,1 %*

The rates are specified for employees, having the annual income of less than RUB 280, 000





General Provisions of the RoK Tax legislation in respect of contractual form of PPP in implementation of concessional projects

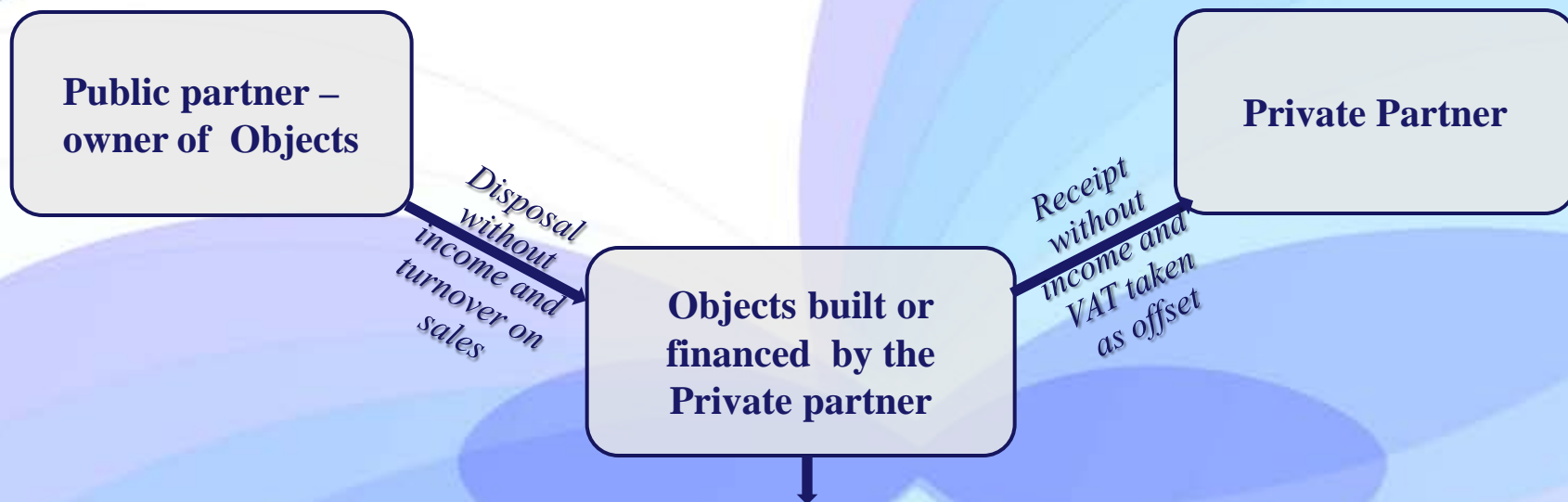


Subparagraph 2) of paragraph 1 of Article 116 of the Tax Code (the TC):

Objects, with the useful life of more than one year are accounted as fixed assets of the Private partnerny (his successor or legal entity, specially founded by the Private partner exclusively to execute the Public-private partnership agreement)



General Provisions of the RoK Tax Legislation in respect of contractual form of PPP in implementation of the concessional projects



Paragraph 12 of Article 119 of the TC:

In transfer of objects, being fixed assets (FA) by the Public partner to the Private partner, they are disposed from the list of FA of the Public Partner at the residual value in respect of buildings and structures (I group) and the value of the authorized state body on budget implementation on cars, equipment and other FA (II – IV groups). Pursuant to 3 of Article 117 and Article 92 of the TC, the Public partner will not have income from the disposal of FA of I group and can have from FA of other groups.

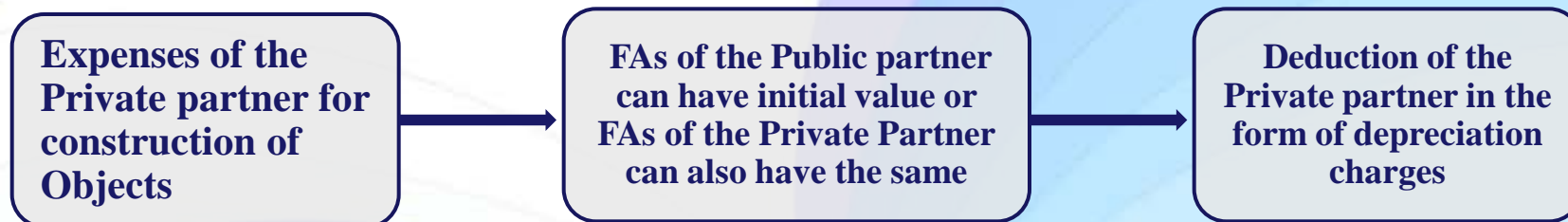
Subparagraph 11) of paragraph 3 of Article 231 of the TC:

The transfer the Object to the Public partner and subsequent transfer to the Public partner by the Private partner will not be considered as the sales turnover for the use under the Public-private partnership agreement





General Provisions of the RoK Tax legislation in respect of contractual form of PPP in implementation of concessional projects

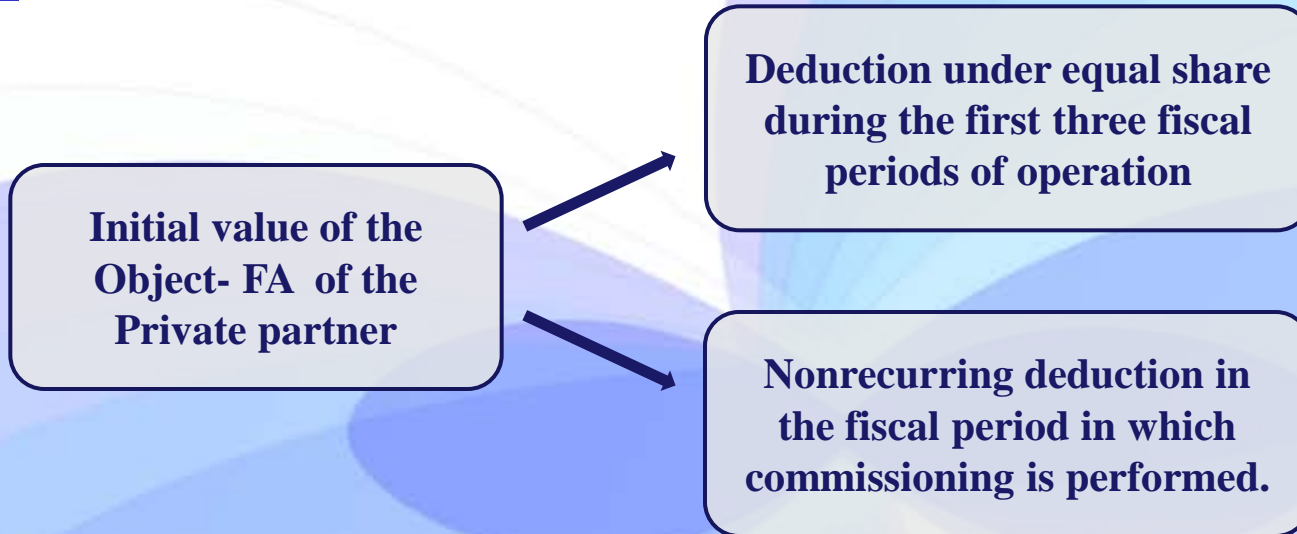


No.	Group No.	Fixed Assets	Depreciation limit (%)
1	2	3	4
1.	I	Buildings, constructions, except for oil and gas wells and transfer mechanisms	10
2.	II	Machinery and equipment, except for machinery and equipment of oil and gas production, as well as hardware and equipment for information processing	25
3.	III	Hardware and equipment for information processing	40
4.	IV	Fixed assets which are not included into other groups, including oil and gas wells, transfer mechanisms, machinery and equipment of oil and gas production.	15



Investment tax preferences (ITP) in respect of contractual form of PPP in implementation of the concessional projects

Application of ITP based on the method of deduction after the commissioning the object



Paragraph 1 and 2 of Article 123 of the TC:

The Private partner, the RoK legal entity shall have the right to apply ITP in the form of accelerated deduction of the value of the objects of preferences (Objects) and (or) subsequent expenses for their reconstruction and modernization to Objects, being buildings, general production facilities, machines, equipment put into commissioning in the territory of the RoK for the first time, during 3 fiscal periods, following the fiscal period of commissioning simultaneously complying with conditions of subparagraphs 1) – 4) of paragraph 2 of Article 123 of the TC.





Investment tax preferences (ITP) in respect of contractual form of PPP in implementation of the concessional projects

Application of ITP based on the method of deduction before the commissioning the object

Private partner
concerning expenses
for construction of
Objects

Deduction of expenses for construction, production, erection and installation of objects of preferences in the fiscal period when the production expenses are actually incurred

Deduction of subsequent expenses for reconstruction, modernization of buildings and general production facilities, machinery and equipment before commissioning in the fiscal period, when expenses are actually incurred

Paragraph 1 and 2 of Article 123 of the TC:

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General Provisions of the RoK Tax legislation in respect of the contractual form PPP in implementation of concessional projects

**The Private partner, a
payer of Property Tax
on Objects, being
buildings and
constructions**

Subparagraph 3) of paragraph 1 of Article 394 of the TC:

A payer of Property Tax is the Private partner, having, based on the right of ownership and use, the taxable item, being the Public-private partnership Object under the Public-private partnership agreement.

Subparagraph 2) of paragraph 1 of Article 395 of the TC :

Item taxable with Property Tax is presented by buildings and constructions, being the Public-private partnership Objects under the Public-private partnership agreement.





General Provisions of the RoK Tax legislation in respect of contractual form of PPP in implementation of concessional projects

The tax base for
Property Tax on
Objects, being buildings
and constructions

Can be determined
based on method of
discount and therefore
the tax will be reduced

Paragraph 1 of Article 397 of the TC:

The tax base on taxable items of legal entities is the average annual book value of taxable items which is determined based on accounting data.

Should the average annual book value of the Public-private partnership Objects be not available, the value of objects determined following the procedure established by the authorized state body on the implementation of the budget shall be their tax base.





General Provisions of the RoK Tax legislation in respect of contractual form of PPP in implementation of concessional projects

**The Private partner,
being not a payer of the
levy for the use of land
plots**

Paragraph 3 of Article 478 of the TC:

The Private partner on land plots granted for the purposes of execution of the Public-private partnership agreement concluded in accordance with the RoK legislation, - for the period provided for by the Public-private partnership agreement, but not more than for five years from the day of taking decision on granting the temporary right of use of land for a fee shall not be considered as a levy payer.





General Provisions of the RoK Tax legislation in respect of organizations carrying out activities in the territory of the Special Economic Zones (SEZ)

Legal entities, SIMULTANEOUSLY meeting the following conditions are recognized as organizations, carrying out activities within the SEZ territories:

Subparagraph 1) of paragraph 1 of Article 150 of the TC:

1) Legal entities registered in the tax bodies within the SEZ territories

Subparagraph 2) of paragraph 1 of Article 150 of the TC :

2) Legal entities that have no structural subdivisions outside the SEZ territories

Subparagraph 3) of paragraph 1 Article 150 of the TC:

3) Legal entities, which AAI of not less than 90 % is presented by income receivable (received) from sale of goods (works and services) produced by the enterprise and by types of activities meeting the purposes of SEZ creation.



General Provisions of the RoK Tax legislation in respect of organizations carrying out activities in the territory of the SEZ

Legal entities, which AAI of 90 % is received from sale of goods (works and services) within the SEZ territories, provided that, the following types of activities are carried out*:



- Conducting scientific, research and development, engineering works associated with the creation and implementation of projects in the area of information technologies;
- Manufacturing of household devices;
- Chemical industry;
- Metallurgical industry;
- Manufacturing of finished metal product;
- Manufacturing of machinery and equipment;
- Manufacturing of electric equipment, including electric light plants (equipment);
- Base drug products;
- Production of oil and gas products, as well as products of associated technologies.

** The full list of types of activities is presented in subparagraph 3) of paragraph 1 of Article 150 of the TC*





General Provisions of the RoK Tax legislation in respect of organizations carrying out activities in the territory of the SEZ

Article 151 of the TC:

Organization, carrying out activity in the SEZ territories, has the following privileges on taxes

The amount of CIT assessed is reduced by 100 percents

0 coefficient to corresponding rates in Land Plot Tax assessment

0 percent rate applied to average annual value of taxable items in Property Tax assessment



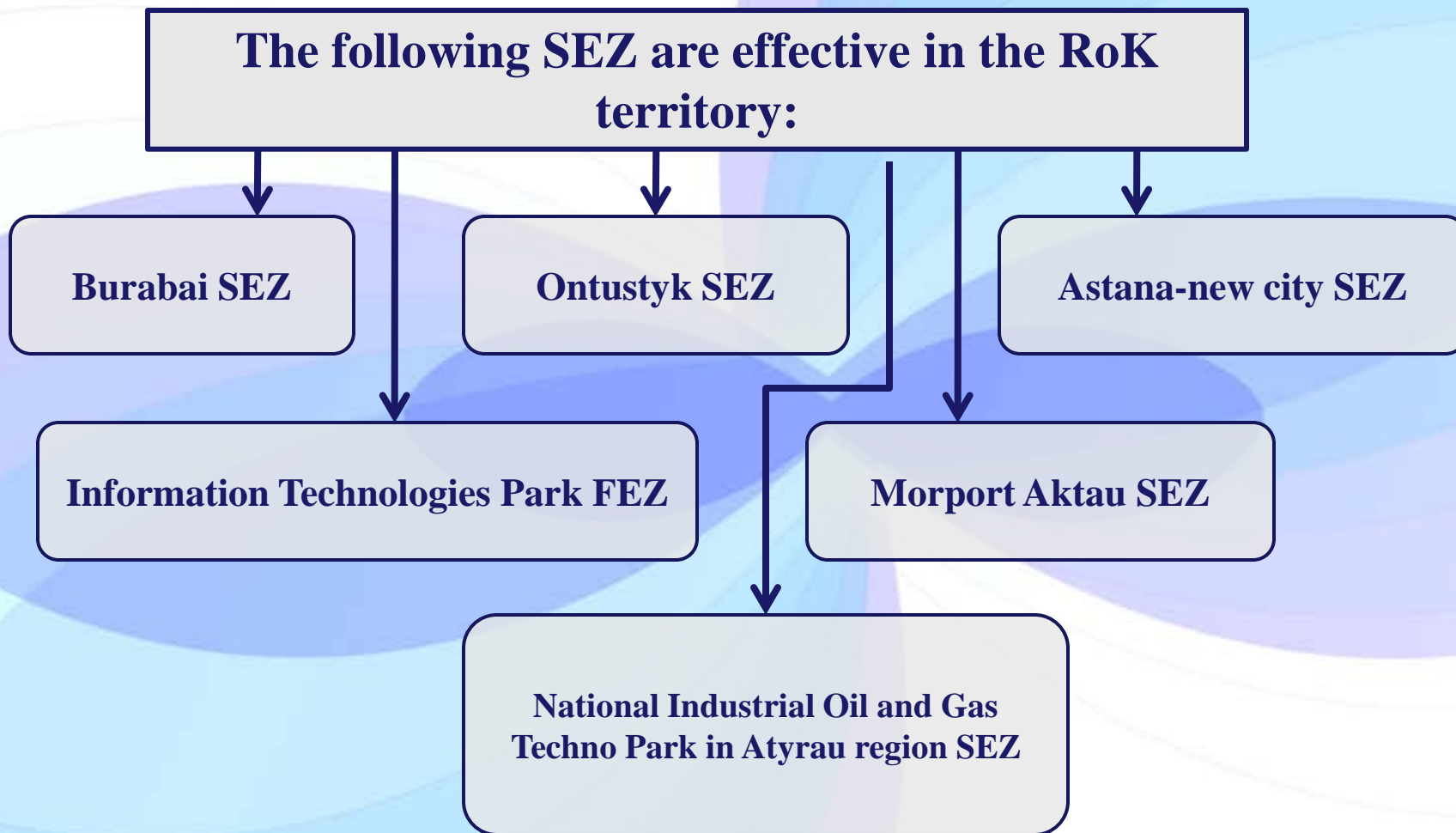
General Provisions of the RoK Tax legislation in respect of organizations carrying out activities in the territory of the SEZ



** Free Customs Zone - a customs procedure, in which the goods are allocated and used within the SEZ territory or a part of it and are not subject to customs duties and taxes, excluding application of procedures of the non-tariff regulation to foreign goods and restrictions towards the goods of Customs Union.*



General Provisions of the RoK Tax legislation in respect of organizations carrying out activities in the territory of the SEZ





Investment tax preferences (ITP) in respect of contractual form of PPP in implementation of the concessional projects

**Exemption from
customs duties**

Is allowed in import of the equipment and component parts to it , which are imported for implementation of the investment project under the Public-private partnership agreement

Is granted for the effective period of the Public-private partnership agreement but not more than for 5 years from the date of conclusion of the same

Subparagraph 2) paragraph 1 of Article 26 of the RoK Law on the Public-Private Partnership
The Private owner shall have the right to act as a subject investment preferences according to the RoK Legislation on investments.

Paragraph 1 of Article 14 of the RoK Law on Investments

Investment preferences are granted in cases of priority activities, the list of which is approved by the RoK Government at a level of classes of standard industrial classification of economic activities.





Other Topical Issues

Tax Accounting Organization:

- 1. Comparability with IFRS**
- 2. Tax Accounting Policy**
- 3. Tax Registers**
- 4. Tax accounting on Joint Venture**



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Solon, Ancient Greek Philosopher

**Thank you
for your attention!**