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LAW No. 274 OF 6TH JULY 2007 OF THE REPUBLIC OF KAZAKHSTAN

CONCERNING SPECIAL ECONOMIC ZONES IN THE REPUBLIC OF KAZAKHSTAN

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AMENDMENTS AND ADDITIONS INTRODUCED BY:

(1) Law No. 297-IV of 30th June 2010 of the Republic of Kazakhstan Concerning the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Matters of Customs Regulation and Taxation. (Article 7). Effective July 1, 2010

This Law defines the procedure for and terms of organisation, functioning and abolishment of special economic zones in the territory of the Republic of Kazakhstan.

CHAPTER 1. GENERAL PROVISIONS

Article 1. General Definitions Used in This Law

The following general definitions are used in this Law:

1) special economic zone — a limited territory of the Republic of Kazakhstan with exactly marked borders, in which favourable conditions are organised to carry out priority types of activity;

2) administration of the special economic zone — a territorial subdivision of the authorised body operating in the territory of a special economic zone;

3) participant in the special economic zone — a legal entity carrying out in the territory of a special economic zone priority types of activity and concluded an activities agreement;

4) infrastructure resources — a complex of structures ensuring needs of participants in a special economic zone in thermal and electric power, water supply, sewage, transport communications, communication services and other types of services;

5) priority types of activity — types of activity, which are covered by the legal regime of a special economic zone;

6) activities agreement — an agreement to be concluded between a participant in the special economic zone and the administration of the special economic zone, which establishes rights and obligations of the parties on issues of carrying out priority types of activity in the territory of the special economic zone;

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7) operator company — a legal entity to be determined by the authorised body to attract participants in a special economic zone, to provide them effectively with infrastructure resources and other terms to carry out priority types of activity;

8) expert council — a consultative advisory body to be formed at the authorised body to present conclusions concerning the expediency of organisation or abolishment of special economic zones;

9) authorised body — a central executive body performing state regulation in the sphere of organisation, functioning and abolishment of special economic zones.

Article 2. Legislation of the Republic of Kazakhstan Concerning Special Economic Zones

1. The legislation of the Republic of Kazakhstan concerning special economic zones is based on the Constitution of the Republic of Kazakhstan and consists of this Law and other regulatory legal acts of the Republic of Kazakhstan.

2. Where an international agreement ratified by the Republic of Kazakhstan establishes other rules than those, which are contained in this Law, then rules of the international agreement shall be applied.

Article 3. Purposes of Organisation of Special Economic Zones

Special economic zones shall be organised for the purposes of development and promotion of sectors of the economy, accelerated development of regions and solution of social problems, increase of the efficiency of business activities, attraction of investment, technologies and up-to-date management, formation of high effective and competitive productions.

Article 4. The Procedure for Organisation of a Special Economic Zone

1. The decision concerning organisation of a special economic zone shall be passed by the President of the Republic of Kazakhstan under a presentation of the Government of the Republic of Kazakhstan. The regulations concerning the special economic zone to be approved by an Edict of the President of the Republic of Kazakhstan shall determine a list of priority types of its activity.

2. The proposal concerning formation of a special economic zone shall be moved to the authorised body by local and (or) central executive bodies, associations and unions of businessmen with presentation of a request, concept, feasibility study of formation of a special economic zone with an evaluation of the influence upon the environment and draft regulations concerning the special economic zone.

3. The authorised body shall deny the proposal concerning formation of a special economic zone in cases of:

1) inexpediency of formation of a special economic zone on the basis of a conclusion of the expert council;

2) inconsistency of the proposal concerning organisation of a special economic zone with priorities of the state economic policy;

3) incompleteness or unreliability of presented materials;

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4) inconsistency of the proposal with requirements in the field of protection of the environment.

4. To consider the proposal concerning organisation of a special economic zone the authorised body shall submit to the Government of the Republic of Kazakhstan a request, concept, feasibility study of organisation of the special economic zone with an evaluation of the influence upon the environment and draft regulations concerning the special economic zone, on which there is a positive conclusion of the expert council available.

Article 5. Terms of Organisation and Functioning of Special Economic Zones

1. Special economic zones shall be organised for a period of up to twenty-five years.

2. Special economic zones shall be organised on land plots being in state ownership and not granted for land use, or on land plots compulsory alienated from owners of land plots and land users for state needs in accordance with the land legislation of the Republic of Kazakhstan. The basis of such a compulsory alienation shall be organisation of special economic zones where there are no land plots in state ownership necessary for it.

3. In relation to the land plot, in which the special economic zone is organised, the administration of the special economic zone shall exercise rights of the state as an owner of land for the period of functioning of the special economic zone.

The land plot, in which the special economic zone is organised, shall be allotted by the administration of the special economic zone for temporary paid land use (lease) to participants in the special economic zone on the basis of subparagraph 5) of Article 10 of this Law, as well as to legal entities, individual businessmen and non-residents carrying out activities through a permanent establishment, registered in the territory of the special economic zone.

4. Selling and other alienation of land plots in the territory of special economic zones shall be prohibited within the period of functioning of the special economic zone.

5. Land plots must be provided with sufficient infrastructure resources, construction of which is conducted at the expense of budget funds, as well as other sources not prohibited by laws of the Republic of Kazakhstan.

All the items built wholly or partially at the expense of budget funds shall be transferred to the balance-sheet of the administration of the special economic zone.

6. After the end of functioning of the special economic zone the owner of a real estate item located within the territory of the special economic zone, constructed within the framework of an activities agreement, shall have a priority right to purchase the appropriate land plot at its cadastre (assessed) value in accordance with the procedure established by the legislation of the Republic of Kazakhstan.

7. Land plots not purchased in private ownership within one year after the end of functioning of the special economic zone, as well as infrastructure resources being in the balance-sheet of the administration of the special economic zone shall be transferred by the administration of the special economic zone to the local executive body of the appropriate administrative-territorial unit.

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Article 6. Abolishment of a Special Economic Zone

1. The special economic zone shall be abolished upon the expiration of the period for which it was organised. The dates of and procedure for the abolishment shall be determined by the regulations concerning the special economic zone.

2. Where it is impossible to achieve the purposes of organisation of the special economic zone, it may be abolished ahead of time by an Edict of the President of the Republic of Kazakhstan under a presentation of the Government of the Republic of Kazakhstan.

The proposal concerning abolishment of the special economic zone ahead of time shall be moved to the Government of the Republic of Kazakhstan by the authorised body on the basis of a conclusion of the expert council.

After the passing of the decision concerning the abolishment of the special economic zone ahead of time, the administration of the special economic zone shall function within one year after the completion of the procedure for abolishment of the special economic zone.

Article 7. The Legal Regime of a Special Economic Zone

Amended by 1) Law No. 297-IV of 30th June 2010 of the Republic of Kazakhstan Concerning the Introduction of Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Matters of Customs Regulation and Taxation.

1. The legal regime of the special economic zone shall cover participants in the special economic zone, and it shall be established by this Law and other laws of the Republic of Kazakhstan.

2. Taxation of organisations carrying out activities in territories of special economic zones shall be made in accordance with the tax legislation of the Republic of Kazakhstan.

3. Terms of and procedure for placement of goods under the ~~customs regime~~ customs procedure [modified by 1] of a free economic zone in the territory of the special economic zone shall be established by the customs legislation of the Customs Union and (or) [inserted by 1] the customs legislation of the Republic of Kazakhstan.

CHAPTER 2. GOVERNING OF A SPECIAL ECONOMIC ZONE

Article 8. The Scope of the Government of the Republic of Kazakhstan

The scope of the Government of the Republic of Kazakhstan shall comprise:

1) elaboration of guidelines of the state policy in the sphere of organisation and functioning of special economic zones;

2) determination of an authorised body;

3) approval of regulations concerning the expert council and its composition;

4) moving of a presentation to the President of the Republic of Kazakhstan concerning organisation or abolishment ahead of time of a special economic zone;

5) approval of rules for determination of an operator company.

Article 9. The Scope of the Authorised Body

The scope of the authorised body shall comprise:

- 1) implementation of the common state policy in the sphere of organisation and functioning of special economic zones;
- 2) performance of coordination of activities of state bodies in the sphere of organisation, functioning and abolishment of special economic zones;
- 3) elaboration of rules for determination of an operator company;
- 4) elaboration and approval of rules for admittance of physical persons and legal entities to carry out activities in the territory of a special economic zone;
- 5) approval of documents regulating activities of special economic zones:
form of the application for organisation of special economic zones;
model agreements between the authorised body and the operator company, as well as between the operator company and participants in the special economic zone regulating the procedure for carrying out activities of participants in the special economic zone;
- 6) coordination of a payment amount for the use of land plots in the territory of special economic zones;
- 7) establishment of requirements to making of a concept, feasibility study and draft regulations concerning the special economic zone;
- 8) moving to the Government of the Republic of Kazakhstan of a proposal concerning abolishment of a special economic zone ahead of time;
- 9) determination of an operator company.

Article 10. The Scope of the Administration of a Special Economic Zone

The scope of the administration of the special economic zone shall comprise:

- 1) interaction with state bodies on issues of activities of special economic zones;
- 2) allotment for temporary paid land use (lease) to participants in the special economic zone, as well as legal entities, individual businessmen and non-residents carrying out activities through a permanent establishment, registered in the territory of the special economic zone, of land plots, on which special economic zones are organised;
- 3) making of an estimation of the payment amount for the use of land plots in the territory of special economic zones in accordance with the land legislation of the Republic of Kazakhstan;
- 4) passing of decisions on admittance of physical persons and legal entities to carry out activities in the territory of a special economic zone in accordance with the procedure to be determined by the authorised body;
- 5) conclusion with participants in the special economic zone of activities agreements;
- 6) conducting of inspections in relation to fulfillment of activities agreements by participants in the special economic zone;
- 7) presentation to state bodies of information on activities of special economic zones in accordance with the procedure stipulated by the legislation of the Republic of Kazakhstan;

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8) organisation in accordance with the legislation of the Republic of Kazakhstan of construction and further operation of servicing infrastructure resources made at the expense of budget funds.

Article 11. The Scope of an Operator Company

The scope of the operator company shall comprise:

- 1) attraction of potential participants in the special economic zone to participate in activities of the special economic zone;
- 2) moving of proposals to the administration of the special economic zone in relation to admittance of physical persons and legal entities to activities in the territory of the special economic zone;
- 3) representation of interests of participants in the special economic zone in relations with state bodies for the purposes of conducting of procedures for state registration of legal entities, reception of permissive documents necessary to carry out priority types of activity in the territory of the special economic zone;
- 4) construction of and further operating services to infrastructure resources, rendering of services to participants in the special economic zone;
- 5) conclusion and termination of agreements with participants in the special economic zone, as well as other physical persons and (or) legal entities admitted to carry out activities in the territory of the special economic zone;
- 6) conducting of other business activities not contradicting this Law and other laws of the Republic of Kazakhstan.

CHAPTER 3. CONCLUSIVE AND TRANSITIONAL PROVISIONS

Article 12. Guarantees of Rights of Participants in Special Economic Zones

In the event that the legal regime of the special economic zone is abolished or modified ahead of time, including change of limits of its territory, participants in the special economic zone shall be guaranteed the right to continue such activities on terms stipulated by the activities agreement till the end of the term for which the special economic zone is organised, but not more than ten years.

The term shall be counted from the day of abolishment or modification of the legal regime of the special economic zone.

Article 12. Extension of This Law to Earlier Organised Special Economic Zones

Special economic zones organised before the enactment of this Law shall preserve their status until the decision concerning their abolishment is passed.

Article 14. Conclusive Provisions

1. This Law shall be enacted from the day of its official publication.
2. The Law of 26th January 1996 of the Republic of Kazakhstan ‘Concerning Special Economic Zones in the Republic of Kazakhstan’ (The Bulletin of the Parliament

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of the Republic of Kazakhstan, 1996, No. 1, i. 179; No. 14, i. 274; 1998, No. 24, i. 443; 1999, No. 6, i. 191; 2001, No. 15—16, i. 224; 2003, No. 23, i. 169; 2007, No. 2, i. 18) shall be recognised invalid.

President of the Republic of Kazakhstan
N. NAZARBAEV