

## INFORMATION GUIDE

### for Participants of the Special Economic Zone “Pavlodar”

#### Priority Activities of the Special Economic Zone “Pavlodar”:

No	Type of Activity	CCEA
1	Manufacture of coke and refined petroleum products	19
2	Manufacture of chemical products	20
3	Manufacture of rubber and plastic products	22
4	Manufacture of other non-metallic mineral products	23
5	Metallurgical industry	24
6	Manufacture of fabricated metal products, except machinery and equipment	25
7	Construction	41-42

#### Requirements for Applicants

An applicant submitting a request to carry out activities as a participant of the SEZ *must possess monetary funds or other assets not withdrawn from circulation, in an amount consistent with the feasibility study*. The proposed activity must correspond to the objectives and priority activities of the SEZ.

#### The following entities cannot become participants:

- 1) subsoil users;
- 2) organizations engaged in the production of excisable goods, except for entities engaged in the manufacture or assembly of excisable goods specified in subparagraph 6) of Article 462 of the Tax Code of the Republic of Kazakhstan “On Taxes and Other Mandatory Payments to the Budget”);
- 3) organizations and individual entrepreneurs applying special tax regimes;
- 4) organizations applying (or having applied) investment tax preferences under contracts concluded with the authorized investment body prior to 1 January 2009;
- 5) organizations implementing (or having implemented) an investment priority project or an investment strategic project in accordance with the legislation of the Republic of Kazakhstan on investments;;
- 6) organizations engaged in gambling activities.

#### Documents to be Submitted by the Applicant for Carrying Out Activities as a Participant of SEZ and for Inclusion in the Unified Register of Participants

1. The activities of an SEZ participant shall be carried out in accordance with the agreement.
2. The application must be accompanied by the following documents:
  - 1) applicant’s questionnaire in the form approved by the authorized body;
  - 2) certificate of state registration (re-registration) of the legal entity;
  - 3) copy of the identity document of the applicant’s first executive;
  - 4) copy of the charter of the legal entity;
  - 5) copy of the decision of the supreme body of the legal entity on carrying out activities within the territory of the SEZ;
  - 6) copy of the financial statements as of the latest reporting date, signed by the applicant’s first executive or his/her substitute, as well as the chief accountant (accountant);
  - 7) feasibility study of the project, meeting the requirements established by the authorized body (see annex below);
  - 8) statement from the servicing bank on cash flow through the applicant’s bank accounts (confirming no suspense accounts) and a credit report from a credit bureau;
  - 9) certificate from the state revenue authority at the place of registration on the presence or absence of arrears in taxes and other mandatory budget payments;
  - 10) documents confirming the availability of the applicant’s financial resources.
  - 11) preliminary design of the territory, in case the project implementation requires construction of facilities (structures, buildings).

If, at the time of submission, the legal entity is not a resident of the Republic of Kazakhstan and is not registered as a taxpayer of the Republic of Kazakhstan, a copy of the certificate confirming the

absence of state registration as a taxpayer with the tax authorities of the Republic of Kazakhstan must be provided.

Foreign legal entities must submit legalized documents specified in subparagraphs 2), 4), and 5) of this section, a legalized extract from the commercial register or another legalized document confirming that the non-resident is a legal entity under the legislation of a foreign state, along with a notarized translation into Kazakh and Russian languages.

#### **Article 18 of the Law “On SEZs and Industrial Zones” — Requirements for Applicants**

At the time of submitting an application for carrying out activities as a participant of a special economic zone, applicants shall confirm the availability of financial security in an amount not less than ten percent of the project cost by one of the following means:

- 1) cash;
- 2) bank guarantee;
- 3) surety (guarantee by a third party);
- 4) pledge of property;
- 5) insurance contract.

A participant of a special economic zone has the right to choose any of the above methods of financial security, including by combining several methods. The availability of financial security for the remaining part of the project cost must be ensured within two years from the date of obtaining the status of a participant of a special economic zone.

Participants of special economic zones apply tax preferences depending on the project cost under the following categories (Article 709 of the Tax Code):

1) **Category A for a period of 7 years**, if the project cost does not exceed **3,000,000** times the **Monthly Calculation Index (MCI)** established by the law on the republican budget and effective as of 1 January of the respective fiscal year;

2) **Category B for a period of 15 years**, if the project cost **exceeds 3,000,000 times but does not exceed 14,500,000 times** the MCI established by the law on the republican budget and effective as of 1 January of the respective fiscal year;

3) **Category C for a period of 25 years**, if the project cost **exceeds 14,500,000** times the MCI established by the law on the republican budget and effective as of 1 January of the respective fiscal year.

#### **Procedure for Reviewing an Application of an SEZ Participant**

1. The management company of the special economic zone (hereinafter – SEZ MC) reviews applications for carrying out activities as a participant of a special economic zone in accordance with the rules and project selection criteria.

2. The SEZ MC shall refuse the applicant in concluding an agreement on carrying out activities in cases where the declared type of activity, including activities within a unified technological process, does not correspond to the purposes of establishing the SEZ, the priority activities, the project selection criteria, and/or the requirements for submitted documents established by paragraph 3 or 4 of Article 18.

3. If the declared type of activity corresponds to the priority activities and **project selection criteria**, the SEZ management body shall, within ten working days, conclude an agreement on carrying out activities.

4. The SEZ management body, no later than the following working day from the date of concluding the agreement on carrying out activities, shall submit a copy of such agreement to the Unified Coordination Center (UCC) and to the state revenue authorities, and shall post information on the conclusion of the agreement on the UCC web resource. Within five working days after receiving a copy of the agreement, the UCC shall enter information on the applicant into the Unified Register of SEZ Participants and issue a certificate confirming the registration of the entity as an SEZ participant.

5. Upon receipt of the certificate confirming registration as an SEZ participant, the SEZ participant is entitled to receive tax benefits when carrying out priority activities within the territory of the SEZ.

**Requirements  
for the feasibility study of a project submitted by an applicant for carrying out  
activities as a participant of an SEZ**

**1. General Provisions**

1. These Requirements for the feasibility study of a project (hereinafter – Project FS), submitted by an applicant for carrying out activities as a participant of a special economic zone (hereinafter – Requirements), have been developed in accordance with **subparagraph 7) of paragraph 3 of Article 18** of the Law of the Republic of Kazakhstan “On Special Economic and Industrial Zones” dated April 3, 2019 No. 242-VI LRK.

2. The Project FS, submitted by an applicant for carrying out activities as a participant of a special economic zone (hereinafter – SEZ), shall be developed in accordance with the legislation of the Republic of Kazakhstan on special economic and industrial zones and with these Requirements.

**2. Structure of the Feasibility Study (FS) of the Project Submitted by an Applicant for  
Activities as a Participant of an SEZ**

3. The structure of the FS submitted by an applicant for activities as a participant of SEZ depends on the direction of the project and includes the following sections:

1. project introduction;
2. project summary;
3. general project description;
4. marketing and sales of products (services);
5. production plan;
6. financial and economic section;
7. annexes.

4. The “Introduction” section describes the existing socio-economic, natural-climatic, geographical, and engineering-geological conditions in which the project of SEZ is expected to be implemented.

This section also specifies the problems whose partial or complete solution is possible through the establishment of the project within the territory of SEZ.

5. The “Project Summary” section contains a brief description, project efficiency, main areas of activity, scale, including capacity, project components, action plan, intended sources and financing schemes, as well as the implementation period within SEZ.

6. The “General Project Description” section should characterize the project and its position in the market, legal form, main activities, achievements, and key financial indicators of the project.

The general description includes the following information:

- 1) name of the product, goods, or services;
- 2) general information about the applicant (date, place, and founder, number of employees, charter capital, fixed and working assets);
- 3) financial and economic indicators (project volume);
- 4) management structure;
- 5) staff composition (qualification and experience of the management team and key specialists, personnel requirements and education);
- 6) occupational safety and health standards;
- 7) areas of activity;
- 8) sector of the economy and its prospects;
- 9) contribution to regional development, public and social activity (role in the regional economy, participation in solving regional issues, sponsorship and charity, participation in public associations);
- 10) potential for export or import substitution;
- 11) competitiveness of products (services);
- 12) project readiness level (scientific and technical documentation, prototype);
- 13) patentability and copyrights;
- 14) availability and necessity of licenses and quality certificates;

15) safety and environmental impact.

7. “The Marketing and Sales of Products (Services)” section reflects the assessment of existing and prospective demand (for the period of development and operation of the project within SEZ) for the products (services) to be produced (provided) as a result of the project’s implementation in SEZ.

This section must include a marketing analysis (market and consumer characteristics), a marketing plan (market entry strategy – pricing policy, advertising, sales system, after-sales service, sales volumes), description of products and services offered by production, their possible applications, compliance with standards, competitive advantages, and product analysis.

8. The “Production Plan” section describes the technological process and outlines the overall approach to organizing the project, indicating sources of raw materials and supplies, technological equipment (names and key specifications), project requirements for premises, utilities, energy sources, labor resources (personnel, wages and incentives, working conditions, structure and composition of units, personnel training, expected changes in staff structure as the project develops).

9. The “Financial and Economic Section” contains an assessment of financial costs and revenues along with the evaluation of alternative schemes and sources of financing, project creation analysis, cash flow statement, profit and loss statement, and project efficiency indicators within SEZ from the perspective of the national (regional) economy.

This section includes:

1) assessment of anticipated costs for project implementation, including infrastructure construction expenses;

2) calculation of total investment costs, financing needs allocation;

3) calculation of production costs (operating expenses);

4) project financial analysis, including:

- project analysis using simple financial assessment methods, including payback period calculation, simple rate of return, debt coverage ratio;

- analysis of financing schemes, sources, conditions, and their alternatives;

- assessment of financial risks, defining key risk factors, expected nature and range of changes, and proposed risk mitigation measures;

5) project risk analysis;

6) analysis of the project’s economic situation within and outside the territory of SEZ;

7) assessment of economic benefits and costs, including outcome, consequence, and impact analysis, cost-effectiveness analysis, intangible benefits, incremental benefits and costs, additional consumer benefits, sunk costs, external effects, international effects, and indirect benefits.

10. The “Annexes” section of the project within SEZ may include additional data in the form of detailed expenditure tables, marketing research results, auditor conclusions, product sample photos, payback period graphs, and other materials or documents supporting and disclosing the information presented in the project FS.