

EXECUTIVE GUIDE

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REVIEW: Legal In the Loop



► **Opening a business in any country can be a confusing affair; however, Kazakhstan is hoping to make itself as attractive as possible to investors.**

When opening a business in a new region, one of the most important things to do is study the region in detail, which involves understanding market conditions, applicable legislation, and the main practical aspects involved. In this article, we would like to provide a brief overview of Kazakhstan for investors looking at doing business there by describing the most commonly used business forms in Kazakhstan, touching on key tax questions, and also the repatriation of profit.

FORMS OF DOING BUSINESS IN KAZAKHSTAN

Kazakhstan law allows foreign investors to perform commercial activities through various forms of legal entities. Foreign investors in Kazakhstan frequently operate through limited

liability partnerships (LLPs), or branches and representative offices of legal entities.

LLP

An LLP is a legal entity created in accordance with Kazakhstani law by either one or several partners. Partners are only liable for losses related to the LLP's activities up to the value of their share. Unless an LLP operates in specific strategic sectors, such as communications, the mass media, insurance, or security, it may be 100% foreign owned. The LLP's partners determine the value of charter capital, but it should be no less than the legal minimum, which is approximately \$1,000 for medium and large businesses and approximately \$0.5 for small businesses. It needs to be paid in full within one year from the state registration of an LLP. The LLP registration procedure has recently been significantly simplified and currently takes one or two days. An LLP is the most common organizational and legal form used to operate in Kazakhstan. An LLP is a legal entity created in Kazakhstan and will always be a Kazakhstani resident.

BRANCHES & REPRESENTATIVE OFFICES

A foreign investor may decide not to open a legal entity, that is, an LLP, in Kazakhstan, but operate through a branch or representative office of a foreign legal entity. A representative office is a separately located division of a legal entity that protects and represents the legal entity's interests. In turn, a branch is a separately located division of a legal entity that performs a part of the functions of the legal entity, including those of a representative office. Branches and representative offices are not legal entities, but are part of the legal entity that created them, and are authorized to use the legal entity's assets and operate on the basis of articles approved by it. Practice has shown that branches perform business operations and representative offices do not. In other words, branches perform commercial functions, while representative offices limit themselves to so-called preparatory and auxiliary activities. >>

BRANCH

REPRESENTATIVE OFFICE

Not a legal entity

Has access to the assets of the legal entity that created it and operates on the basis of articles approved by that legal entity

Is a non-resident

Performs commercial activities

Does not perform commercial activities