



22 May 2023

(23-3500)

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Committee on Subsidies and Countervailing Measures

Original: English

SUBSIDIES

NEW AND FULL NOTIFICATION PURSUANT TO ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE AGREEMENT ON SUBSIDIES AND COUNTERVAILING MEASURES

KAZAKHSTAN

Revision

The following communication, dated and received on 17 May 2023, is being circulated at the request of the delegation of Kazakhstan.

In accordance with Article 25.1 of the Agreement on Subsidies and Countervailing Measures and Article XVI:1 of the GATT 1994, the Government of the Republic of Kazakhstan submits its new and full notification. In accordance with Article 25.7 of the SCM Agreement, this notification does not prejudice the legal status of the notified programmes under the GATT 1994 and the SCM Agreement, their effects under the SCM Agreement, or nature of the programmes themselves.

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1 INVESTMENT PREFERENCES

1. Title of the subsidy programme

Investment preferences.

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

Investment support is aimed at creation of favorable investment climate for economic development and to stimulate investment to set up new production, expansion and renovation of existing production facilities, training of Kazakhstani personnel, and protection of the environment.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Investment preferences are administered by the Ministry of Foreign Affairs of the Republic of Kazakhstan and the Ministry of Finance of the Republic of Kazakhstan.

Legislation under which it is granted:

- 1) Code of the Republic of Kazakhstan No. 375-V "The Entrepreneurial Code of the Republic of Kazakhstan" of 29 October 2015;
- 2) Code of the Republic of Kazakhstan No. 120-VI "On Taxes and Other Obligatory Payments in the Budget" of 25 December 2017.

5. Form of the subsidy

Preferences within the investment projects: customs duty exemption for imported goods, exemption from the VAT payment on imported raw material and/or supplies, in-kind state grants.

Preferences within the priority investment projects: customs duty exemption for imported goods; in-kind state grants, tax preferences (zero rate for corporate, land and property taxes).

6. To whom and how the subsidy is provided

Investment preferences are granted based on an investment contract concluded between authorized investment body and juridical person of the Republic of Kazakhstan implementing an investment project.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

35.245 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Investment preferences are granted for the duration of the investment contract, except customs duty exemption which is granted for a period not exceeding five years from the date of registration of the investment contract and tax preferences which are granted for a period of 3 to 10 years.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

2 PREFERENCES WITHIN SPECIAL ECONOMIC ZONES

1. Title of the subsidy programme

Preferences within Special Economic Zones (hereinafter- SEZs).

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

Preferences within SEZs are aimed at attracting investments.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Preferences within SEZs are administered by the Ministry of Finance of the Republic of Kazakhstan.

Legislation under which it is granted:

- 1) Law of the Republic of Kazakhstan No. 242-VI "On Special Economic and Industrial Zones" of 3 April 2019;
- 2) Code of the Republic of Kazakhstan No. 375-V "The Entrepreneurial Code of the Republic of Kazakhstan" of 29 October 2015;
- 3) Code of the Republic of Kazakhstan No. 120-VI "On Taxes and Other Obligatory Payments in the Budget" of 25 December 2017.

5. Form of the subsidy

Tax preferences.

6. To whom and how the subsidy is provided

Preferences are provided to juridical persons registered as SEZ participants.

The Tax Code provides customs duty exemption for imported goods and exemption from payment of the following taxes:

- corporate income tax;
- land tax or land use fees;
- property tax;
- VAT on goods.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

58.836 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Duration of application of tax preferences: until expiration of SEZ.

Exemption from import customs duties is granted for a fifteen-year period, but no more than the validity period of special economic zones.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

3 BUSINESS SUPPORT AND DEVELOPMENT STATE PROGRAMME "BUSINESS ROAD MAP 2025"
THE COMPONENT "INDUSTRIAL SUPPORT OF ENTREPRENEURS/SUBJECTS OF INDUSTRIAL AND INNOVATIVE ACTIVITIES"

1. Title of the subsidy programme

Business Support and Development State Programme "Business Road Map 2025".

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

To facilitate balanced growth of entrepreneurship, and to create new permanent jobs.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

The Programme is administered by the Ministry of National Economy of the Republic of Kazakhstan.

Legislation under which it is granted:

Resolution of the Government of the Republic of Kazakhstan No. 968 "On Approval of Business Support and Development State Programme 'Business Road Map 2025'" of 24 December 2019.

5. Form of the subsidy

- 1) subsidizing part of the interest rate on loans/financial leasing agreements;
- 2) subsidizing of markups on products and lease payment which are income components of Islamic banks;
- 3) subsidizing part of the interest rate on loans for the manufacturing industry and services, as well as for processing in the agro-industrial complex;
- 4) subsidizing the coupon rate on bonds issued by business entities;
- 5) partial guarantee on loans of banks/development bank;
- 6) partial guarantee on loans issued by banks in the manufacturing industry and services, as well as for processing in the agro-industrial complex;
- 7) state grants;
- 8) development of production (industrial) infrastructure;
- 9) establishment of industrial zones.

6. To whom and how the subsidy is provided

Participants are effective entrepreneurs/subjects of industrial and innovative activities who implement and/or plan to implement their own projects. Subsidizing part of the interest rate is provided for new loans/financial leasing agreements issued for the implementation of new effective investment projects, as well as projects aimed at modernisation, expansion of production, replenishment of working capital and franchising.

Subsidizing of markups on products/parts of the lease payment that make up the income of an Islamic bank is carried out on financing provided for the implementation of new investment projects, as well as projects aimed at modernising, expanding production and replenishing working capital.

Subsidizing part of the interest rate on loans for the manufacturing industry and services, as well as processing in the agro-industrial complex is carried out by subsidizing projects on loans/leasing transactions with a nominal interest rate not exceeding 15% per annum. Subsidizing the coupon rate on bonds issued by business entities is used to reimburse part of the expenses paid by issuers as bonuses. Subsidizing the coupon rate on bonds is carried out on bonds issued to finance the implementation of new investment projects, as well as projects aimed at modernisation, expansion of production and replenishment of working capital.

Partial guarantees are provided only for loans issued for the implementation of effective investment projects, as well as projects aimed at modernisation, expansion of production, replenishment of working capital and franchising.

State grants are provided to small businesses for the implementation of new business ideas.

The development of production (industrial) infrastructure consists in bringing the missing infrastructure to small and medium-sized enterprises projects aimed at creating new industries, modernising and expanding existing industries. The missing infrastructure is brought up to the border of the territory of the object of small and medium-sized enterprises without bringing the infrastructure inside the territory of the entrepreneur's object.

The establishment of industrial zones is carried out to accelerate the development of private entrepreneurship in the industrial sector, optimize the development of general infrastructure, increase production efficiency, and ensure employment of the population.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

4.831 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

The Programme operates until 2025.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

4 TECHNOLOGICAL DEVELOPMENT OF ENTERPRISES

1. Title of the subsidy programme

Technological development of enterprises.

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

The programme is aimed to increase labor productivity and develop territorial clusters.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

The subsidy is administered by QazIndustry JSC.

Legislation under which it is granted:

- 1) Order of the Minister for Investment and Development of the Republic of Kazakhstan No. 1194 "On approval of the Rules for the provision of state support to the subjects of industrial and innovative activities aimed at increasing labor productivity and the development of territorial clusters" of 9 December 2015;
- 2) Code of the Republic of Kazakhstan No. 375-V "The Entrepreneurial Code of the Republic of Kazakhstan" of 29 October 2015.

5. Form of the subsidy

Support is provided to the subjects of industrial and innovative activities through reimbursement of expenses.

6. To whom and how the subsidy is provided

Programme participants are subjects of industrial and innovative activities.

Reimbursement of expenses is carried out in the following areas:

- 1) to increase the competence of the enterprises;
- 2) for the development and/or examination of a comprehensive plan for an industrial and innovative project;
- 3) to improve technological processes;
- 4) to improve the production organization efficiency.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

285.334 million tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Not specified.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

5 THE PROGRAMME OF SUPPORT OF SMALL AND MEDIUM-SIZED ENTERPRISES

1. Title of the subsidy programme

The Programme of Support of small and medium-sized Enterprises

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

The programme is aimed to stimulate an economic activity of small and medium-sized enterprises.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Programme Administrator - Fund "DAMU".

Legislation under which it is granted:

Resolution of the Government of the Republic of Kazakhstan No. 354 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of SMEs Projects in Processing Industry" of 14 April 2014.

5. Form of the subsidy

Soft loans.

6. To whom and how the subsidy is provided

Programme participants are small and medium-sized enterprises. Fund "DAMU" allocates funds to second-tier banks to finance projects of small and medium-sized enterprises. Term of loan: up to 10 years.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

9.882 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Not specified.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

6 THE PROGRAMME OF INTER-BANK LENDING

1. Title of the subsidy programme

The Programme of Inter-bank Lending.

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

Financing of second-tier banks to provide access to loans for small and medium-sized enterprises, as well as large entities.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

The Programme is administered by the Development Bank of Kazakhstan and Fund "Damu".

Legislation under which it is granted:

- 1) Resolution of the Government of the Republic of Kazakhstan No. 1276 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of Entities in the Processing Industry" of 5 December 2014;
- 2) Resolution of the Government of the Republic of Kazakhstan No. 124 "On Approval of Joint Action Plan of the Government of the Republic of Kazakhstan and the National Bank of the Republic on Funding of SMEs in the Processing Industry" of 11 March 2015.

5. Form of the subsidy

Soft loans.

6. To whom and how the subsidy is provided

The funds are allocated to second-tier banks for further financing of business entities. A nominal interest rate in tenge: 6%, term of the loan: up to 10 years, a grace period is 24 months.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

63.767 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Not specified.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.

7 LEASING FINANCING FOR RENOVATION OF EQUIPMENT

1. Title of the subsidy programme

Leasing financing for equipment upgrade.

2. Period covered by the notification

2020.

3. Policy objective and/or purpose of the subsidy

Equipment upgrade of subjects of industrial and innovative activities.

4. Background and authority for the subsidy (including identification of the legislation under which it is granted)

Administrator of the Programme: Industrial Development Fund JSC.

Legislation under which it is granted:

Resolution of the Government of the Republic of Kazakhstan No. 1050 "On approval of the State programme of industrial and innovative development of the Republic of Kazakhstan for 2020 - 2025" of 31 December 2019.

5. Form of the subsidy

Lease financing.

6. To whom and how the subsidy is provided

Provided to the subjects of industrial and innovative activities, implementing and/or planning to implement innovative projects. Entity ensures the participation in the implementation of the project in the amount of at least 15% of the total cost of the leased items.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy

16.777 billion tenge.

8. Duration of the subsidy and/or any other time-limits attached to it

Term of lending: up to 10 years.

9. Statistical data permitting an assessment of the trade effects of a subsidy

It is not possible to estimate what, if any, trade effects may result from the use of this programme.
