

COUNTERPARTY VERIFICATION IN CIS COUNTRIES: KAZAKHSTAN

Dear colleagues,

18.07.2024

we would like to draw your attention to the screening possibilities of foreign counterparties in the Republic of Kazakhstan.

To reduce risks and check the reliability, solvency and security of your foreign counterparty, you should take the following steps:

- Legal check;
- Financial check;
- Check valid licences, if applicable;
- Check other factors such as publicly available information / business reputation: customer reviews, relationships with partners or contractors.

As part of the legal review of an **LLP (Limited Liability Partnership or "TOO")**, which acts as a separate legal entity based on its own Charter, you should request the following legal documents:

- Charter;
- Memorandum of Association (however, the counterparty may refuse to provide this as the provisions may be confidential);
- Resolution/protocol on the appointment of the directors;
- State registration certificate - certificate of registration. What to check: Consistency of the information in the certificate with other incorporation documents;
- Business Identification Number (BIN) - a unique number created for a legal entity (branch and representative office) and self-employed persons;
- Registration number of the VAT payer's certificate.

Also pay attention to the company's legal address for local authorities. It must be specified in the Charter and other documents when registering the LLP and can be either a commercial premises or a private address (e.g. the founder's flat).

There are following **risk factors**:

- "mass registration address";
- mismatch between the legal and actual addresses (when submitting to the tax office), which is especially relevant for VAT payer counterparties.

The **charter capital of an LLP** must be at least 100 times the monthly calculate on index (MCI) at the time of submitting the formation documents for state registration. From January 1, 2024, the MCI will be 3,692 tenge, i.e. the minimum capital must be 369,700 tenge (approx. RUB 73,000). The charter capital must be fully paid within one year from the date of registration. For small companies (up to 100 employees, income up to 300,000 MCI/year) there is no minimum capital (it can therefore be 0 tenge).

The **executive body** can be collective (directorate) or individual (director). An LLP can have several directors who act independently of each other (but only natural persons). The executive body may be collective (directorate) or individual (director). The LLP may have several directors acting independently of each other (but only natural persons).

In addition, we would like to draw your attention to the official regime of "**suspension of activity**" in the Republic of Kazakhstan (the official analogue of "**sleep mode**" in the Russian Federation). During suspension, a company cannot conduct any profitable activities, but it is not liquidated and can be reinstated. Information on companies

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whose activities have been suspended can be obtained from the [website](#) of the State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan (SRC).

Further, in case the signatory of the contract is a **director** acting on the basis of the Charter, you should check the following aspects:

- Timeliness of the authorization (the data in the decision / protocol of appointment should coincide with the data in the state registers);
- Duration of the authorization;
- Existence of possible restrictions (e.g. transactions above a certain amount may require the approval of the participants, this may be specified in the Charter);
- Delimitation of powers if there are several directors.

If the signatory of the contract is acting on the basis of a **power of attorney**, be sure to request and scrutinize it for:

- The authority of the person issuing the power of attorney. If it is not signed by a director, but by another person based on the power of attorney with the right of overriding power of attorney, you should also request and check the original power of attorney;
- Description of the powers of the person acting on the basis of the power of attorney.

Where to get data (open sources):

- **[Portal of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic Kazakhstan \(RK\)](#)**.

Here you can find basic information about the company.

- **[Portal of the State Revenue Committee of the Ministry of Finance of the RK \(www.kgd.gov.kz\)](#)**.

Here you can find:

- Details on suspension / non-suspension of activities;
- Information on the absence (presence) of tax arrears;
- Total amount of taxes paid;
- Presence of the counterparty in the List of unreliable taxpayers;
- Information about being / not being in the process of liquidation.

- **[Portal of the Supreme Court of the RK](#), [Portal of the Ministry of Justice of the RK](#).**

Here you can find the availability of open and past court cases.

- **[Public procurement portal](#).**

Here you can see if the counterparty is on the [list](#) of unfair participants in public procurement.

- **[Portal of the Electronic Government of the Republic of Kazakhstan Egov.kz](#).**

Here you can find:

- Information about the registered legal entity as of a given date;
- Details of the latest amendments to the constituent documents;
- Information about participation of the legal entity in other legal entities;
- Information on the presence of branches and representative offices of the legal entity;
- Information on the category of the subject of entrepreneurship;
- Data on encumbrances (seizure) on the legal entity's share;
- Information on recognition of the legal entity as an inactive legal entity or involvement of its participants in inactive legal entities.

Unfortunately, as in many other jurisdictions, to obtain full data from public official sources, in most cases verification or authorization may be required, which requires a

local phone number or IIN / BIN (analogue to the Russian TIN). In this regard, it may be necessary to engage a local partner to carry out a full-fledged verification.

For bigger or more significant deals, of course, the financial condition of the counterparty should be checked. For this purpose, it is necessary to request and analyze financial and tax statements for the last reporting periods:

- Balance sheet,
- Profit and Loss Statement,
- Cash flow statement.

Analyzing the financial statements will help to understand how successful and sustainable the company is, and to identify problems / risk factors.

We would also advise you to look at:

- review of financial ratios,
- analysis of current assets and total debt,
- profit and loss analysis,
- and get information about the bank details of the counterparty in advance - not all banks in Kazakhstan accept and send payments to Russia or do so with restrictions on the type of currency / banks from the Russian Federation.

We will be happy to answer your questions and, if necessary, carry out a counterparty check at your request.

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