
STATUTORY INSTRUMENTS

1994 No. 3211

INCOME TAX

**The Double Taxation Relief (Taxes
on Income) (Kazakhstan) Order 1994**

Made - - - - 14th December 1994

Whereas a draft of this Order was laid before the House of Commons in accordance with the provisions of section 788(10) of the Income and Corporation Taxes Act 1988⁽¹⁾, and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of that draft:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 788 of the said Act, and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Taxes on Income) (Kazakhstan) Order 1994.
2. It is hereby declared—
 - (a) that the arrangements specified in the Convention set out in Part I of the Schedule to this Order and in the Exchange of Notes constituting an Agreement set out in Part II of that Schedule have been made with the Government of the Republic of Kazakhstan with a view to affording relief from double taxation in relation to income tax, corporation tax or capital gains tax and taxes of a similar character imposed by the laws of Kazakhstan;
 - (b) that those arrangements include provisions with respect to the exchange of information necessary for carrying out the domestic laws of the United Kingdom and the laws of Kazakhstan concerning taxes covered by the arrangements including, in particular, provisions about the prevention of fiscal evasion with respect to those taxes; and
 - (c) that it is expedient that those arrangements should have effect.

R. P. Bulling
Deputy Clerk of the Privy Council

⁽¹⁾ 1988 c. 1; section 788 is extended by section 277 of the Taxation of Chargeable Gains Act 1992 (c. 12).

SCHEDULE

PART I

CONVENTION BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL GAINS

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Kazakhstan;

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains;

Have agreed as follows:

Article 1

Personal scope

This Convention shall apply to persons who are residents of one or both of the Contracting States.

Article 2

Taxes covered

(1) This Convention shall apply to taxes on income and on capital gains imposed on behalf of a Contracting State irrespective of the manner in which they are levied.

(2) There shall be regarded as taxes on income and on capital gains all taxes imposed on total income or on elements of income including taxes on gains from the alienation of movable or immovable property and taxes on the total amounts of wages or salaries paid by enterprises.

(3) The taxes which are the subject of this Convention are:

(a) in the case of the United Kingdom:

- (i) the income tax;
- (ii) the corporation tax; and
- (iii) the capital gains tax;
(hereinafter referred to as "United Kingdom tax");

(b) in the case of the Republic of Kazakhstan, the taxes on income and profits enacted in the following laws:

- (i) the law "On the Taxation of Enterprises, Associations and Organisations"; and
- (ii) the law "On the Income Tax on Citizens of the Republic of Kazakhstan, Foreign Citizens and Stateless Persons"
(hereinafter referred to as "Kazakhstan tax").

(4) This Convention shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Convention in addition to, or in place of, the taxes of that Contracting State referred to in paragraph (3) of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

Article 3

General definitions

- (1) For the purposes of this Convention, unless the context otherwise requires:
- (a) the term “United Kingdom” means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea bed and sub-soil and their natural resources may be exercised;
 - (b) the term “Kazakhstan” means the Republic of Kazakhstan. When used in the geographical sense, the term “Kazakhstan” includes the territorial sea, and also the exclusive economic zone and continental shelf in which Kazakhstan, for certain purposes, may exercise sovereign rights and jurisdiction in accordance with international law and in which the laws relating to Kazakhstan tax are applicable;
 - (c) the term “national” means:
 - (i) in relation to the United Kingdom, any British citizen, or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom;
 - (ii) in relation to Kazakhstan, any citizen of Kazakhstan;
 - (d) the terms “a Contracting State” and “the other Contracting State” mean the United Kingdom or Kazakhstan, as the context requires;
 - (e) the term “person” comprises an individual, a company and any other body of persons, but subject to paragraph (2) of this Article does not include a partnership or joint venture;
 - (f) the term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes and in the case of Kazakhstan includes a joint stock company, a limited liability company or any other legal entity or other organisation which is liable to a tax on profits;
 - (g) the terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;
 - (h) the term “international traffic” means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
 - (i) the term “competent authority” means, in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative, and, in the case of Kazakhstan, the Minister of Finance of the Republic of Kazakhstan or his authorised representative.

(2) A partnership or a joint venture deriving its status from Kazakhstan law which is treated as a taxable unit under the law of Kazakhstan shall be treated as a person for the purposes of this Convention.

(3) As regards the application of this Convention by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of this Convention.

Article 4

Residence

(1) For the purposes of this Convention, the term “resident of a Contracting State” means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature; the term does not include any person

who is liable to tax in that Contracting State only if he derives income or capital gains from sources therein.

(2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status shall be determined in accordance with the following rules:

- (a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the Contracting State in which he has his centre of vital interests cannot be determined, or if he has no permanent home available to him in either Contracting State, he shall be deemed to be a resident of the Contracting State in which he has an habitual abode;
- (c) if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident of the Contracting State of which he is a national;
- (d) if he is a national of both Contracting States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

(3) Where by reason of the provisions of paragraph (1) of this Article a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the Contracting State in which its place of effective management is situated.

Article 5

Permanent establishment

(1) For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

(2) The term “permanent establishment” includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop;
- (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

(3) The term “permanent establishment” also includes:

- (a) a building site or construction or installation or assembly project, or supervisory services connected therewith, only if such site or project lasts for more than twelve months, or such services continue for more than twelve months; and
- (b) an installation or structure used for the exploration of natural resources, or supervisory services connected therewith, or a drilling rig or ship used for the exploration of natural resources, only if such use lasts for more than twelve months, or such services continue for more than twelve months; and
- (c) the furnishing of services, including consultancy services, by residents through employees or other personnel engaged by the resident for such purpose, but only where the activities of that nature continue (for the same or connected project) within the country for more than twelve months.

(4) Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

- (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;

- (b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
- (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) of this paragraph, provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

(5) Notwithstanding the provisions of paragraphs (1) and (2) of this Article, where a person — other than an agent of an independent status to whom paragraph (6) of this Article applies — is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (4) of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

(6) An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

(7) The fact that a company which is a resident of a Contracting State controls or is controlled by a company which is a resident of the other Contracting State, or which carries on business in that other State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Article 6

Income from immovable property

(1) Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

(2) The term “immovable property” shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

(3) The provisions of paragraph (1) of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

(4) The provisions of paragraphs (1) and (3) of this Article shall also apply to the income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

Business profits

(1) The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on or has carried on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on or has carried on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

(2) Subject to the provisions of paragraph (3) of this Article, where an enterprise of a Contracting State carries on or has carried on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

(3) In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including a reasonable allocation of executive and general administrative expenses incurred for the purposes of the enterprise as a whole, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

(4) No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

(5) Where profits include items of income or capital gains which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

(6) The business profits attributed to a permanent establishment shall be determined by the same method year by year unless there is a good and sufficient reason to the contrary.

Article 8

Shipping and air transport

(1) Profits derived by a resident of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

(2) For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include:

- (a) income from the rental on a bareboat basis of ships or aircraft; and
- (b) profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

(3) Where profits within paragraphs (1) or (2) of this Article are derived by a resident of a Contracting State from participation in a pool, a joint business or an international operating agency, the profits attributable to that resident shall be taxable only in the Contracting State of which he is a resident.

Article 9

Associated enterprises

(1) Where:

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or

(b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State; and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, may be included by a Contracting State in the profits of that enterprise and taxed accordingly.

(2) Where a Contracting State includes in the profits of an enterprise of that State and taxes accordingly profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall if necessary consult each other.

Article 10

Dividends

(1) Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.

(2) However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recipient is the beneficial owner of the dividends who is subject to tax in respect of the dividends in that other Contracting State the tax so charged shall not exceed:

- (a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which controls, directly or indirectly, at least 10 per cent of the voting power in the company paying the dividends;
- (b) 15 per cent of the gross amount of the dividends in all other cases.

(3) The term “dividends” as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights assimilated to income from shares by the taxation laws of the State of which the company making the distribution is a resident and also includes any other item (other than interest as defined in Article 11 of this Convention) which, under the laws of the Contracting State of which the company paying the dividend is a resident, is treated as a dividend or distribution of a company. In the case of Kazakhstan, this term includes in particular, profits transmitted abroad to a foreign participant of a joint venture created under the laws of Kazakhstan.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, the other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company’s undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other State.

Article 11

Interest

(1) Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

(2) However, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

(3) The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds or debentures. The term interest shall not include any item which is treated as a dividend under the provisions of Article 10 of this Convention.

(4) The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(5) Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

(6) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the interest paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount of interest. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

(7) Any provision in the laws of either Contracting State relating only to interest paid to a non-resident company shall not operate so as to require such interest paid to a company which is a resident of the other Contracting State to be treated as a distribution or dividend by the company paying such interest. The preceding sentence shall not apply to interest paid to a company which is a resident of one of the Contracting States in which more than 50 per cent of the voting power is controlled, directly or indirectly, by a person or persons who are residents of the other Contracting State.

(8) The relief from tax provided for in paragraph (2) of this Article shall not apply if the beneficial owner of the interest:

- (a) is exempt from tax on such income in the Contracting State of which he is a resident; and
- (b) sells or makes a contract to sell the holding, from which such interest is derived, within three months of the date such beneficial owner acquired such holding.

(9) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.

(10) Notwithstanding the provisions of paragraph (2) of this Article, interest arising in a Contracting State shall be exempt from tax in that State if it is derived and beneficially owned by the Government of the other Contracting State or a local authority thereof or any agency or instrumentality of that Government or local authority.

(11) Notwithstanding the provisions of Article 7 of this Convention and of paragraph (2) of this Article, interest arising in Kazakhstan which is paid to and beneficially owned by a resident of the United Kingdom shall be exempt from tax in Kazakhstan if it is paid in respect of a loan made, guaranteed or insured, or any other debt-claim or credit guaranteed or insured by the United Kingdom Export Credits Guarantee Department.

Article 12

Royalties

(1) Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

(2) However, such royalties may be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 per cent of the gross amount of the royalties.

(3) Notwithstanding paragraph (2) of this Article the beneficial owner of royalties in respect of leasing, as defined in subparagraph (b) of paragraph (4) of this Article, may elect to be taxed, in the Contracting State in which the royalties arise, as if the right or property in respect of which such royalties are paid is effectively connected with a permanent establishment or fixed base in that Contracting State. In such case the provisions of Article 7 or Article 14 of this Convention as the case may be shall apply to the income and deductions (other than capital allowances) attributable to such right or property.

(4) The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use:

- (a) any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for information (know-how) concerning industrial, commercial or scientific experience; and
- (b) industrial, commercial or scientific equipment.

(5) The provisions of paragraph (1), (2) or (3) of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(6) Royalties shall be deemed to arise in a Contracting State when paid for the use of, or the right to use, the right or property in that State.

(7) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

(8) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.

Article 13

Capital gains

(1) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other State.

(2) Gains derived by a resident of a Contracting State from the alienation of:

- (a) shares, other than shares in which there is substantial and regular trading on an approved Stock Exchange, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or
- (b) an interest in a partnership or trust the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in sub-paragraph (a) above,

may be taxed in that other State.

(3) Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

(4) Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic by an enterprise of a Contracting State or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in that Contracting State.

(5) Gains from the alienation of any property other than that referred to in paragraphs (1), (2), (3) and (4) of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

(6) The provisions of paragraph (5) of this Article shall not affect the right of a Contracting State to levy according to its law a tax on capital gains from the alienation of any property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the five years immediately preceding the alienation of the property.

Article 14

Independent personal services

(1) Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless such services are performed or were performed in the other Contracting State; and—

- (a) the income is attributable to a fixed base which the individual has or had regularly available to him in that other State; or
- (b) such individual is present or was present in that other State for a period or periods exceeding 183 days in any consecutive twelve month period.

If he has or had such a fixed base or is or was so present, the income may be taxed in the other State but only so much of it as is attributable to that fixed base or to professional services performed in that Contracting State in that twelve month period.

(2) The term “professional services” includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15

Dependent personal services

(1) Subject to the provisions of Articles 16, 18, 19 and 20 of this Convention, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

(2) Notwithstanding the provisions of paragraph (1) of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if—

- (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days within any period of twelve months; and
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

(3) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State of which the enterprise operating the ship or aircraft is a resident.

Article 16

Directors' fees

Directors' fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 17

Artistes and sportsmen

(1) Notwithstanding the provisions of Article 14 and Article 15 of this Convention, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.

(2) Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

Article 18

Pensions

(1) Subject to the provisions of paragraph (2) of Article 19 of this Convention, pensions and other similar remuneration paid in consideration of past employment to a resident of a Contracting State and any annuity paid to such a resident shall be taxable only in that State.

(2) The term “annuity” means a stated sum payable to an individual periodically at stated times during his life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money’s worth.

Article 19

Government service

- (a) Remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:
 - (i) is a national of that State; or
 - (ii) did not become a resident of that State solely for the purpose of rendering the services.
- (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
- (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, such pension shall be taxable only in the other Contracting State if the individual is a resident of and a national of that State.

(3) The provisions of Articles 15, 16 and 18 of this Convention shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 20

Students

Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that first-mentioned State, provided that such payments arise from sources outside that State.

Article 21

Other income

(1) Items of income beneficially owned by a resident of a Contracting State, wherever arising, which are not dealt with in the foregoing Articles of this Convention, other than income paid out of trusts or the estates of deceased persons in the course of administration, shall be taxable only in that State.

(2) The provisions of paragraph (1) of this Article shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article 6 of this Convention, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14 of this Convention, as the case may be, shall apply.

(3) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the income is paid to take advantage of this Article by means of that creation or assignment.

Article 22

Elimination of double taxation

(1) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof):

- (a) Kazakhstan tax payable under the laws of Kazakhstan and in accordance with this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within Kazakhstan (excluding in the case of a dividend, tax payable in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the Kazakhstan tax is computed;
- (b) in the case of a dividend paid by a company which is a resident of Kazakhstan to a company which is a resident of the United Kingdom and which controls directly or indirectly at least 10 per cent of the voting power in the company paying the dividend, the credit shall take into account (in addition to any Kazakhstan tax for which credit may be allowed under the provisions of sub-paragraph (a) of this paragraph) the Kazakhstan tax payable by the company in respect of the profits out of which such dividend is paid.

(2) Subject to the provisions of the law of Kazakhstan regarding the allowance as a credit against Kazakhstan tax of tax payable in a territory outside Kazakhstan (which shall not affect the general principle hereof) United Kingdom tax payable under the laws of the United Kingdom and in accordance with this Convention, whether directly or by deduction, on profits, income or chargeable gains from sources within the United Kingdom (excluding in the case of a dividend, tax payable in the United Kingdom in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any Kazakhstan tax computed by reference to the same profits, income or chargeable gains by reference to which the United Kingdom tax is computed.

(3) For the purposes of paragraphs (1) and (2) of this Article, profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other Contracting State.

Article 23

Limitation of relief

(1) Where under any provision of this Convention any income is relieved from tax in a Contracting State and, under the law in force in the other Contracting State a person, in respect of that income, is subject to tax by reference to the amount thereof which is remitted to or received in that other Contracting State and not by reference to the full amount thereof, then the relief to be allowed under this Convention in the first mentioned Contracting State shall apply only to so much of the income as is taxed in the other Contracting State.

(2) Notwithstanding the provisions of any other Article of this Convention, a resident of a Contracting State who, as a consequence of domestic law concerning incentives to promote foreign investment, is not subject to tax or is subject to tax at a reduced rate in that Contracting State, on income or capital gains shall not receive the benefit of any reduction in or exemption from tax provided for in this Convention if the main purpose or one of the main purposes of such resident was to obtain the benefits of this Convention.

Article 24

Partnerships

Where, under any provision of this Convention, a partnership, joint venture or other entity is entitled, as a resident of Kazakhstan, to exemption from tax in the United Kingdom on any income or capital gains, that provision shall not be construed as restricting the right of the United Kingdom to tax any

member of the partnership, joint venture or other entity who is a resident of the United Kingdom on his share of such income or capital gains; but any such income or gains shall be treated for the purposes of Article 22 of this Convention as income or gains from sources in Kazakhstan.

Article 25

Non-discrimination

(1) Nationals of a Contracting State and any legal person, partnership, association or other entity deriving its status as such from the law in force in that Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State and any legal person, partnership, association or other entity deriving its status as such from the law in force in that other State in the same circumstances are or may be subjected.

(2) Stateless persons who are residents of a Contracting State shall not be subjected in either Contracting State to any taxation or any other requirement connected therewith, which is other or more burdensome than the taxation and other connected requirements to which nationals of the State concerned in the same circumstances are or may be subjected.

(3) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

(4) Except where the provisions of paragraph (1) of Article 9, paragraph (6) of Article 11, or paragraph (7) of Article 12 of this Convention apply and subject to the provisions of paragraph (7) of Article 11, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

(5) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

(6) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to individuals so resident.

(7) The provisions of this Article shall apply to the taxes which are the subject of this Convention.

Article 26

Mutual agreement procedure

(1) Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph (1) of Article 25 of this Convention, to that Contracting State of which he is a national.

(2) The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation not in accordance with the Convention.

(3) The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention.

(4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 27

Exchange of information

(1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to this Convention, in particular, to prevent fraud and to facilitate the administration of statutory provisions against legal avoidance. Any information received by a Contracting State shall be treated as secret and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

(2) In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on the competent authority of either Contracting State the obligation:

- (a) to carry out administrative measures at variance with the laws and administrative practice prevailing in either Contracting State;
- (b) to supply information which is not obtainable under the laws or in the normal course of the administration of either Contracting State;
- (c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information the disclosure of which would be contrary to public policy.

Article 28

Members and employees of diplomatic or consular establishments or permanent missions

Nothing in this convention shall affect any fiscal privileges accorded to members and employees of diplomatic or consular establishments or permanent missions to international organisations under the general rules of international law or under the provisions of special agreements.

Article 29

Entry into force

(1) Each of the Contracting States shall notify to the other, through diplomatic channels, the completion of the procedures required by its law for the bringing into force of this Convention.

(2) This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

- (a) in the United Kingdom:
 - (i) in respect of income tax and capital gains tax for any year of assessment beginning on or after 6th April 1993;
 - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April 1993;
- (b) in Kazakhstan:
 - (i) in respect of taxes withheld at source, for amounts paid or credited on or after 1st January 1993; and

- (ii) in respect of other taxes, for taxable periods beginning on or after 1st January 1993.

Article 30

Termination

This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year beginning after the expiry of five years from the date of entry into force of the Convention. In such event, the Convention shall cease to have effect:

- (a) in the United Kingdom:
 - (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice is given;
 - (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice is given;
- (b) in Kazakhstan:
 - (i) in respect of taxes withheld at source, for amounts paid or credited on or after 1st January in the calendar year next following the expiration of the six month period; and
 - (ii) in respect of other taxes, for taxable periods beginning on or after 1st January in the calendar year next following the expiration of the six month period.

PART II

EXCHANGE OF NOTES

Alma Ata

19th April 1994

Excellency

I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Kazakhstan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which is being signed today and to make on behalf of the Government of the United Kingdom the following proposals for the purpose of applying:

Article 2: Taxes covered

At the time of signature of the Convention, the following specific taxes are included within the meaning of Article 2(3)(b):

- (i) the profits and income taxes specified in Chapter I and V of the law “On the Taxation of Enterprises, Associations and Organisations”, as amended on 25th December 1991, 30th June 1992 and 22nd December 1992; and
- (ii) the income tax provided under the law “On the Income Tax on Citizens of the Republic of Kazakhstan, Foreign Citizens and Stateless Persons”, as amended on 22nd December 1992.

Article 3(1)(e): Definition of a person

The Contracting States understand that, for the purposes of this Convention a European Economic Interest Grouping (EEIG) is not regarded as a resident of a Contracting State. However, a resident of a Contracting State may claim relief under the terms of this Convention in respect of its share of the income of a EEIG. Where a EEIG has a permanent establishment in a Contracting State that permanent establishment shall be regarded as a permanent establishment in that Contracting State of each participant in the EEIG and income effectively connected to that permanent establishment shall be regarded as effectively connected to a permanent establishment which the participant possesses in that Contracting State to the extent that the participant shares in that income.

Article 7: Business profits

The Contracting States understand that only properly allocated actual expenses incurred by the permanent establishment of the resident, its Head Office or any of its other offices shall be allowed as deductions. No deduction shall be allowed merely because such amounts are paid or accrued by the permanent establishment to the Head Office of the resident or any of its other offices. For example, no deduction shall be permitted in respect of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed, or for management, or by way of interest on monies lent to the permanent establishment, unless such amounts are incurred by the Head Office or any of its other offices, in which case there may be deducted those expenses which are incurred for the purposes of the permanent establishment.

Article 11: Interest

The Contracting States understand that “interest” includes any amount paid for the use of monies over time such as payments made under annuity contracts to the extent that such payments constitute a financial return on one or more initial payments or investments.

Article 12: Royalties

The Contracting States understand that where the beneficial owner of royalties as defined in subparagraph (b) of paragraph (4) of this Article makes an election, under paragraph (3) of this Article, any interest payable which is attributable to the right or property for which the royalty was received shall be deemed to have a source in the Contracting State in which the payment arises. Any such interest payment will be subject to the provisions of Article 11 of this Convention. An election made under paragraph (3) of this Article shall be made to the competent authority of the Contracting State in which the leasing payment is deemed to have its source.

Articles 11: Interest and 12: Royalties

The Contracting States agree that where Kazakhstan agrees to a lower rate of tax than 10 per cent in paragraph (2) of Article 11 or in paragraph (2) of Article 12 in any Convention between Kazakhstan and a third State which is a member of the Organisation for Economic Co-operation and Development, and that Convention enters into force either before or after the date of entry into force of this Convention, the competent authority of Kazakhstan shall notify the competent authority of the United Kingdom of the terms of the relevant paragraph in the Convention with that third State immediately after the entry into force of that Convention and such lower rate of tax shall be substituted for 10 per cent in paragraph (2) of Article 11 or paragraph (2) of Article 12, as the case may be, of this Convention with effect from the date of entry into force of that Convention, or of this Convention, whichever is the later.

Article 13: Capital gains

The Contracting States understand that gains from the alienation of moveable property subject to an election under paragraph (3) of Article 12 will be subject to paragraph (5) of Article 13.

Article 22: Elimination of Double Taxation

Kazakhstan confirms that in computing the taxes on profits and income under current law, an entity that is a resident of Kazakhstan, and a joint venture with more than 30 per cent participation by residents of the United Kingdom or an entity which is wholly owned by residents of the United Kingdom, or a permanent establishment of an enterprise of the United Kingdom (subject to the provisions of Article 7), is permitted deductions for actual wages paid and for interest expenses, whether or not paid to a bank and without regard to the term of the debt. The deduction may not exceed the limitation under Kazakh tax law, as long as the limitation is not less than an arm's length rate, including in the case of interest a reasonable risk premium.

Withholding tax

Each Contracting State shall endeavour to establish procedures to enable taxpayers to receive income dealt with under Articles 10, 11 and 12 without the imposition of withholding taxes where the Convention provides for taxation only in the State of residence. Where the Convention provides for taxation in the State where the income arises each State shall endeavour to establish procedures to enable taxpayers to receive income under deduction of tax at the rate provided for in the Convention. Where a claim is made by a taxpayer, tax withheld at source in a Contracting State at the rate provided for under domestic law shall be repaid in a timely manner where that tax is withheld at a rate in excess of that provided for under the terms of the Convention.

Article 25: Non-discrimination

For the purposes of this Convention, the Contracting States agree that Kazakhstan shall be entitled to continue to charge the five per cent rate differential which, at the time of entry into force of this Convention, exists as a matter of Kazakh law between the taxes imposed on residents of the United Kingdom and enterprises of Kazakhstan, for a period of five years following 1 January 1993, and that thereafter the taxes imposed on residents of the United Kingdom under the laws of Kazakhstan shall be charged at the same rate as the taxes imposed on Kazakh enterprises.

Article 29: Entry Into Force

The Contracting States understand that where any legal rules, applicable on or after 16th December 1991, would have afforded any greater relief from tax than is due under this Convention, any such rules as aforesaid shall continue to have effect:

- (a) in the United Kingdom, for any year of assessment, financial year or chargeable period, and
- (b) in Kazakhstan, for any taxable period,

beginning, in either case, before the entry into force of the Convention.

If the foregoing proposals are acceptable to the Government of The Republic of Kazakhstan I have the honour to suggest that the present Note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the two Governments in this matter which will enter into force at the same time as the entry into force of the Convention.

Alma Ata

18th May 1994

Excellency

I am in receipt of your note dated 19th April 1994 which states as follows:

“I have the honour to refer to the Convention between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Kazakhstan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which is being signed today and to make on behalf of the Government of the United Kingdom the following proposals for the purpose of applying:

Article 2: Taxes covered

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- (i) the profits and income taxes specified in Chapter I and V of the law “On the Taxation of Enterprises, Associations and Organisations”, as amended on 25th December 1991, 30th June 1992, and 22nd December 1992; and
- (ii) the income tax provided under the law “On the Income Tax on Citizens of the Republic of Kazakhstan, Foreign Citizens and Stateless Persons”, as amended on December 22nd 1992.

Article 3(1)(e): Definition of a person

The Contracting States understand that, for the purposes of this Convention a European Economic Interest Grouping (EEIG) is not regarded as a resident of a Contracting State. However, a resident of a Contracting State may claim relief under the terms of this Convention in respect of its share of the income of a EEIG. Where a EEIG has a permanent establishment in a Contracting State that permanent establishment shall be regarded as a permanent establishment in that Contracting State of each participant in the EEIG and income effectively connected to that permanent establishment shall be regarded as effectively connected to a permanent establishment which the participant possesses in that Contracting State to the extent that the participant shares in that income.

Article 7: Business profits

The Contracting States understand that only properly allocated actual expenses incurred by the permanent establishment of the resident, its Head Office or any of its other offices shall be allowed as deductions. No deduction shall be allowed merely because such amounts are paid or accrued by the permanent establishment to the Head Office of the resident or any of its other offices. For example, no deduction shall be permitted in respect of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed, or for management, or by way of interest on monies lent to the permanent establishment, unless such amounts are incurred by the Head Office or any of its other offices, in which case there may be deducted those expenses which are incurred for the purposes of the permanent establishment.

Article 11: Interest

The Contracting States understand that “interest” includes any amount paid for the use of monies over time such as payments made under annuity contracts to the extent that such payments constitute a financial return on one or more initial payments or investments.

Article 12: Royalties

The Contracting States understand that where the beneficial owner of royalties as defined in subparagraph (b) of paragraph (4) of this Article makes an election, under paragraph (3) of this

Article, any interest payable which is attributable to the right or property for which the royalty was received shall be deemed to have a source in the Contracting State in which the payment arises. Any such interest payment will be subject to the provisions of Article 11 of this Convention. An election made under paragraph (3) of this Article shall be made to the competent authority of the Contracting State in which the leasing payment is deemed to have its source.

Articles 11: Interest and 12: Royalties

The Contracting States agree that where Kazakhstan agrees to a lower rate of tax than 10 per cent in paragraph (2) of Article 11 or in paragraph (2) of Article 12 in any Convention between Kazakhstan and a third State which is a member of the Organisation for Economic Co-operation and Development, and that Convention enters into force either before or after the date of entry into force of this Convention, the competent authority of Kazakhstan shall notify the competent authority of the United Kingdom of the terms of the relevant paragraph in the Convention with that third State immediately after the entry into force of that Convention and such lower rate of tax shall be substituted for 10 per cent in paragraph (2) of Article 11 or paragraph (2) of Article 12, as the case may be, of this Convention with effect from the date of entry into force of that Convention, or of this Convention, whichever is the later.

Article 13: Capital gains

The Contracting States understand that gains from the alienation of moveable property subject to an election under paragraph (3) of Article 12 will be subject to paragraph (5) of Article 13.

Article 22: Elimination of Double Taxation

Kazakhstan confirms that in computing the taxes on profits and income under current law, an entity that is a resident of Kazakhstan, and a joint venture with more than 30 per cent participation by residents of the United Kingdom or an entity which is wholly owned by residents of the United Kingdom, or a permanent establishment of an enterprise of the United Kingdom (subject to the provisions of Article 7), is permitted deductions for actual wages paid and for interest expenses, whether or not paid to a bank and without regard to the term of the debt. The deduction may not exceed the limitation under Kazakh tax law, as long as the limitation is not less than an arm's length rate, including in the case of interest a reasonable risk premium.

Withholding tax

Each Contracting State shall endeavour to establish procedures to enable taxpayers to receive income dealt with under Articles 10, 11 and 12 without the imposition of withholding taxes where the Convention provides for taxation only in the State of residence. Where the Convention provides for taxation in the State where the income arises each State shall endeavour to establish procedures to enable taxpayers to receive income under deduction of tax at the rate provided for in the Convention. Where a claim is made by a taxpayer, tax withheld at source in a Contracting State at the rate provided for under domestic law shall be repaid in a timely manner where that tax is withheld at a rate in excess of that provided for under the terms of the Convention.

Article 25: Non-discrimination

For the purposes of this Convention, the Contracting States agree that Kazakhstan shall be entitled to continue to charge the five per cent rate differential which, at the time of entry into force of this Convention, exists as a matter of Kazakh law between the taxes imposed on residents of the United Kingdom and enterprises of Kazakhstan, for a period of five years following 1st January 1993, and that thereafter the taxes imposed on residents of the United Kingdom under the laws of Kazakhstan shall be charged at the same rate as the taxes imposed on Kazakh enterprises.

Article 29: Entry Into Force

The Contracting States understand that where any legal rules, applicable on or after 16th December 1991, would have afforded any greater relief from tax than is due under this Convention, any such rules as aforesaid shall continue to have effect:

- (a) in the United Kingdom, for any year of assessment, financial year or chargeable period, and
- (b) in Kazakhstan, for any taxable period,

beginning, in either case, before the entry into force of the Convention.”

The foregoing proposals being acceptable to the Government of The Republic of Kazakhstan, I have the honour to confirm that Your Excellency’s Note and this reply shall be regarded as constituting an agreement between the two Governments in this matter which shall enter into force at the same time as the entry into force of the Convention.

EXPLANATORY NOTE

(This note is not part of the Order)

The Convention with Kazakhstan is set out in the Schedule to the Order.

The Convention provides for business profits not arising through a permanent establishment to be taxed only in the country of the taxpayer’s residence. Profits attributable to a permanent establishment may be taxed in the country in which the permanent establishment is situated (Articles 5 and 7).

Income from immovable property may be taxed in the country in which the property is situated (Articles 6 and 13).

Air transport and shipping profits are to be taxed only in the residence state of the operator (Article 8).

The Convention includes rules for determining taxable profits when a company in one country is related to a company in the other (Article 9).

The rate of tax imposed in the country of source on dividends derived by a resident of the other country shall not, in general, exceed 5 per cent of the gross amount if the recipient is a company controlling, directly or indirectly, 10 per cent of the voting power of the company paying the dividends. In other cases, such dividends may also be taxed in the source country, but, in general, at a rate not exceeding 15 per cent of the gross amount of the dividends (Article 10).

The rate of tax imposed in the country of source on interest derived by a resident of the other country is, in general, not to exceed 10 per cent of the gross amount of the interest flowing to the other country. Certain categories of interest will be exempt from tax in the source state (Article 11).

The rate of tax imposed in the country of source on royalties flowing to the other country shall not, in general, exceed 10 per cent of the gross amount of royalties flowing to the other country (Article 12).

Capital gains arising from the disposal of movable property are normally to be taxed only in the country of the taxpayer’s residence. Gains arising from the disposal of assets of a permanent establishment or fixed base which the taxpayer has in the other country may be taxed in that other country (Article 13).

The earnings of temporary business visitors and some other individuals are, subject to certain conditions, to be taxed only in the country of the taxpayer's residence (Articles 14 and 15). Fees received by a resident of one country in his capacity as a director of a company resident in the other country may be taxed in the latter country (Article 16). Income derived from the activities of artistes and sportsmen may be taxed in the country in which those activities are exercised (Article 17). Occupational pensions and annuities are to be taxed only in the recipient's country of residence, subject to certain provisions (Articles 18 and 19). Government Service remuneration is normally taxable only by that Government (Article 19). Certain payments made to visiting students and business apprentices are to be exempt from tax in the country visited (Article 20). Other income not specified in the Convention (with the exception of income paid out of trusts or the estates of deceased persons in the course of administration) shall be taxable only in the taxpayer's country of residence, as long as it is not associated with a permanent establishment in the country of source (Article 21).

Where income continues to be taxable in both countries credit will be given in the taxpayer's country of residence for tax imposed in the other country. In the case of dividends, the United Kingdom will give credit for underlying tax paid in Kazakhstan where the shareholder is a United Kingdom company which controls at least 10 per cent of the voting power in the company paying the dividends (Article 22).

There are provisions safeguarding nationals and enterprises of one country against discriminatory taxation in the other country (Article 25), and for consultation (Article 26) and exchanges of information (Article 27) between the taxation authorities of the two countries.

The Convention will enter into force on the date of the later of the notifications by each country of the completion of the procedures required by its law to bring the Convention into force. The Convention is to take effect in the United Kingdom on or after 1st April 1993 in respect of corporation tax and on or after 6th April 1993 for income tax and capital gains tax. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.