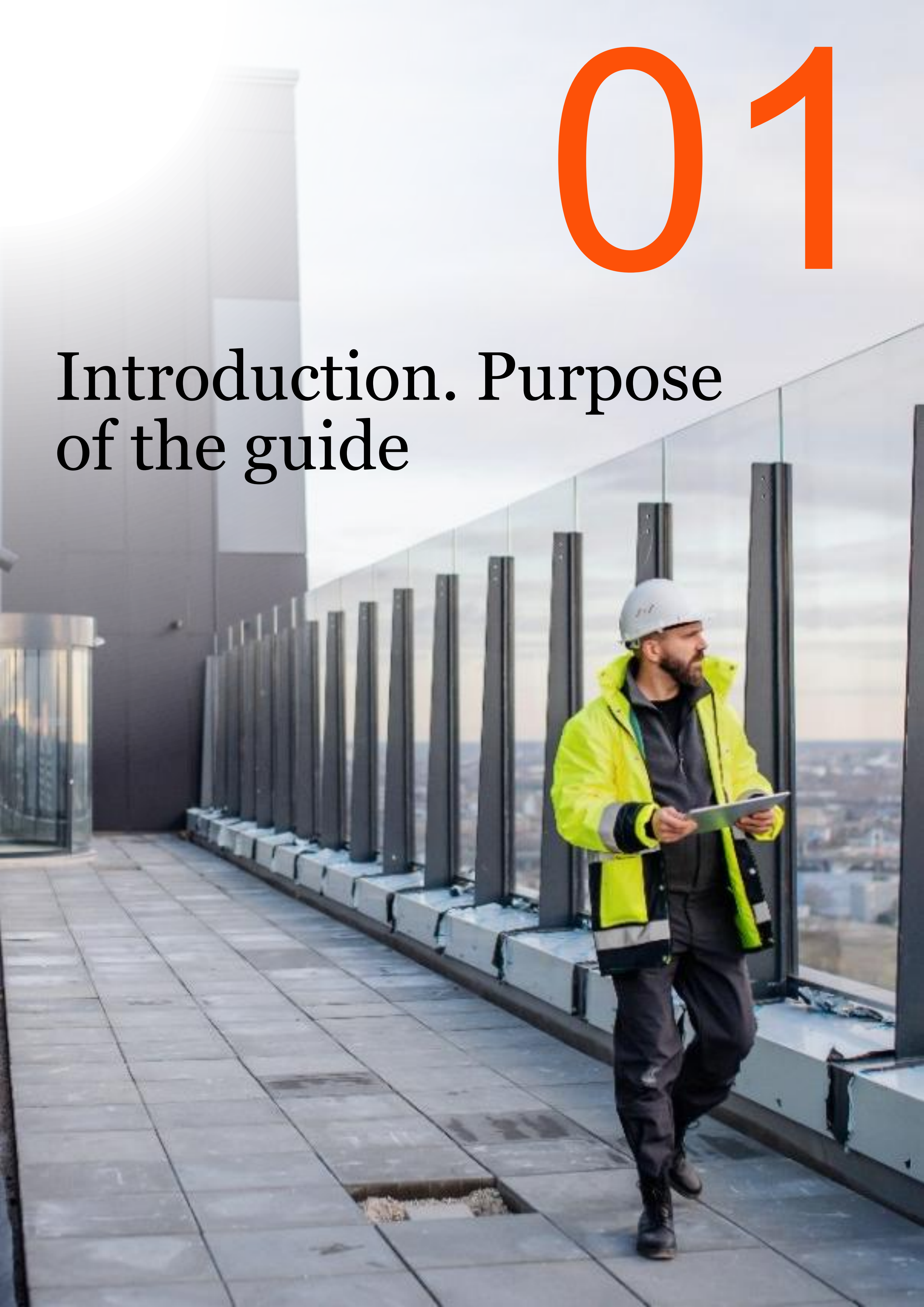
Kazakhstan:
Oil & Gas tax guide

Table of contents

01

Introduction. Purpose of the guide



Introduction

Kazakhstan remains one of the most resource-rich economies in Eurasia, with the oil and gas sector continuing to play a central role in the country's industrial development, export structure, and fiscal revenues.

Over the past decades, the sector has evolved into a highly integrated and capital-intensive industry, attracting major international operators and enabling the execution of large-scale upstream, midstream and downstream projects. Its strategic importance is underpinned by a substantial hydrocarbon resource base and the continued development of flagship projects.

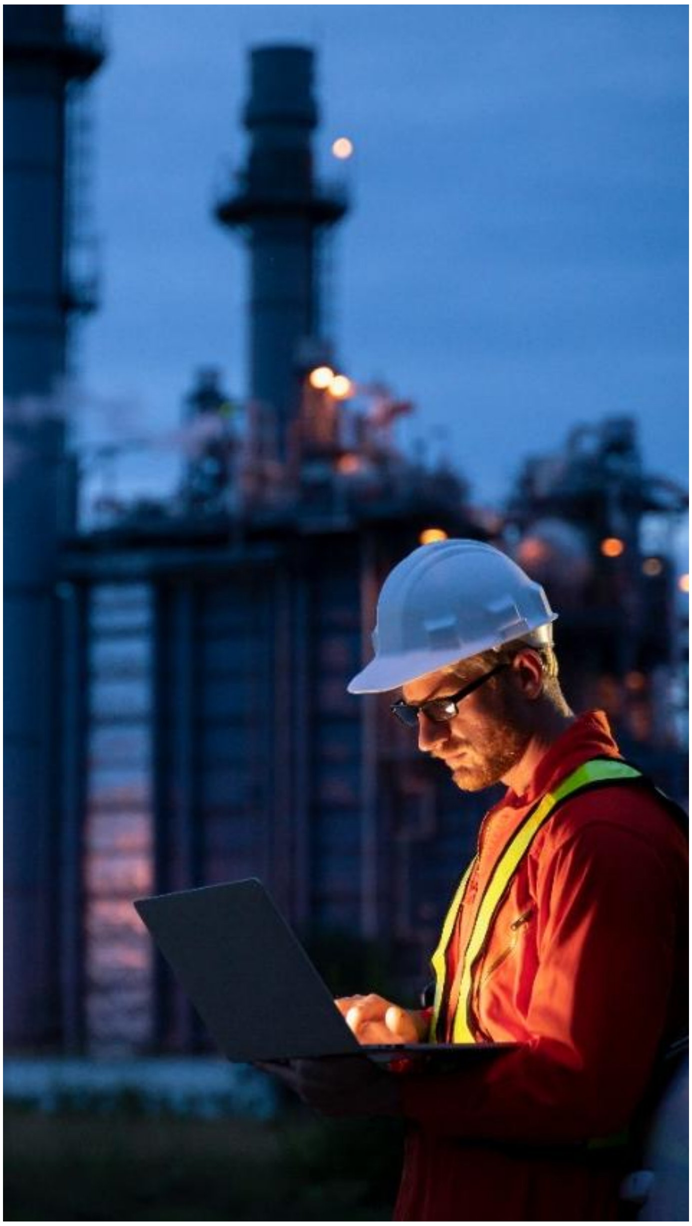
In parallel, Kazakhstan is actively strengthening and diversifying its energy infrastructure, including the development of additional export routes and the modernisation of refining and petrochemical capacities.

These initiatives form part of a broader policy agenda aimed at improving operational efficiency, increasing the share of higher value-added products and enhancing environmental performance in line with global industry trends. As the sector adapts to evolving market conditions and the global energy transition, a stable and transparent regulatory framework remains a key factor in sustaining investment attractiveness and long-term sector resilience.

The taxation of subsurface users represents a fundamental element of Kazakhstan's regulatory framework for the oil and gas sector.

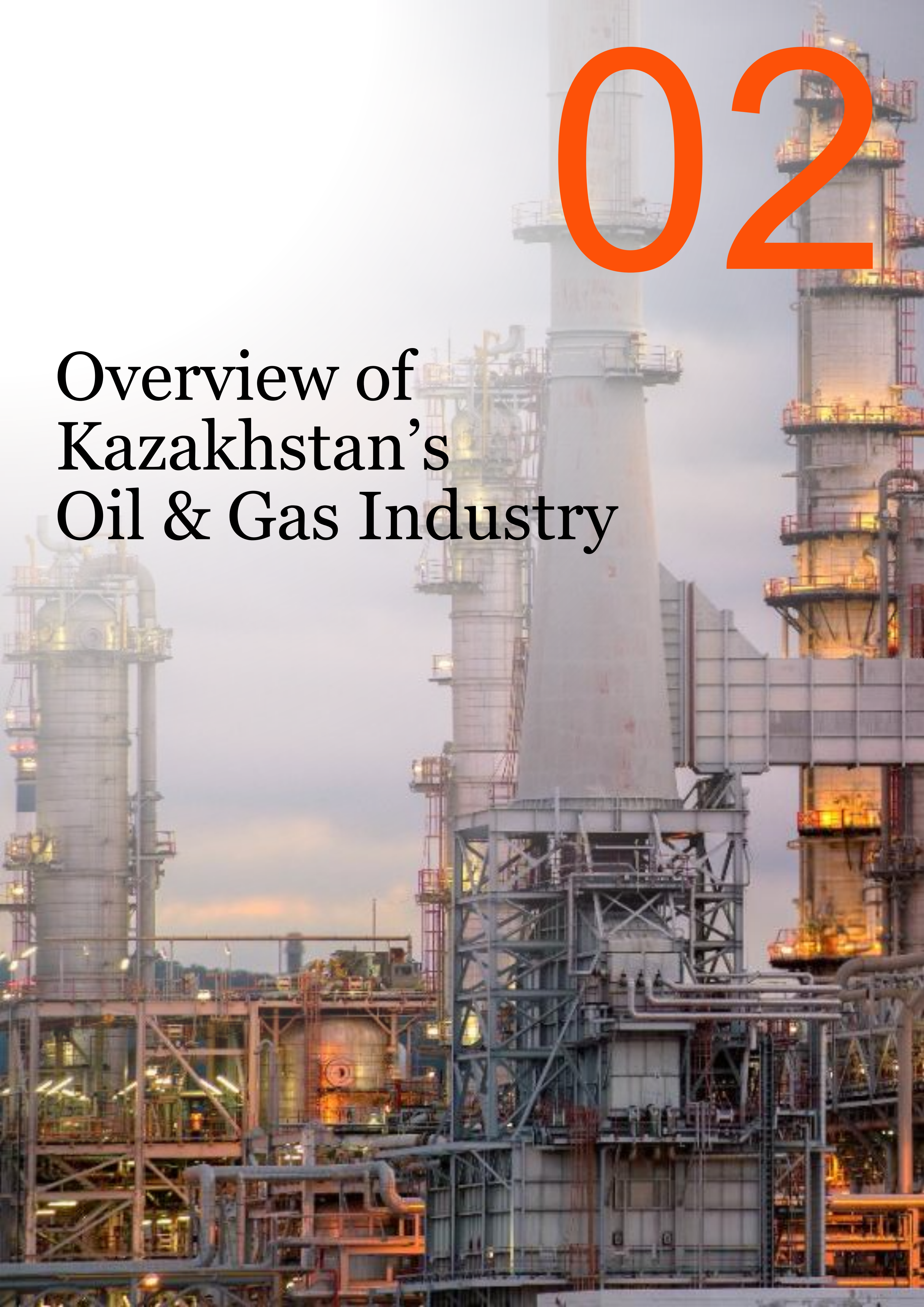
The fiscal regime comprises a combination of general taxation rules, sector-specific payments and contractual arrangements designed to balance the interests of the state with the economic viability of projects. This framework continues to evolve, including through the introduction of the new Tax Code effective from 1 January 2026.

The purpose of this guide is to provide a high-level overview of Kazakhstan's oil and gas sector, together with a structured explanation of the applicable tax regimes for subsurface users.
It is intended to offer practical and accessible insights, particularly for prospective investors and stakeholders entering the market.



02

Overview of Kazakhstan's Oil & Gas Industry



Oil and gas industry overview (1/4)

Oil and Gas industry overview

Kazakhstan ranks 12th globally in oil reserves and 15th in gas reserves. The oil and gas sector contributes around 16.3% of GDP, with approximately 90% of this contribution generated by the upstream and midstream segments.

Area	Oil reserves*	Gas reserves	Total GDP	Share of GDP
2.72m km^2	4.4 bn t / 13.2bn t	3.8T m^3	$306 bn	$44bn (16.8%)

The country's production base is anchored by its three flagship projects — Tengiz, Kashagan, and Karachaganak — which collectively account for **~70%** of total oil production.

Oil production

In 2025, Kazakhstan's oil production reached 99.55 million tonnes, exceeding the annual plan by 3.5% and increasing significantly from 87.7 million tonnes in 2024. Tengiz remained the largest contributor, accounting for around 39% of national output, while Kashagan and Karachaganak together contributed around 30%. Overall, the three flagship projects produced approximately 69.4 million tonnes, confirming their central role in Kazakhstan's production profile. Beyond these projects, Kazakhstan operates a broad portfolio of mature fields, including Uzen, Kalamkas, Kumkol, Karazhanbas, and Buzachi, while the pre-Caspian basin, Aral Sea region, Mangystau and Aktobe areas retain exploration potential.

Kazakhstan remains a highly export-oriented oil producer. In 2025, oil exports reached 78.7 million tonnes, compared with 68.6 million tonnes in 2024, with around 79% of production directed to international markets. The Caspian Pipeline Consortium (CPC) remained the key export route, transporting 64.8 million tonnes of Kazakhstan's oil exports, or more than 80% of total exports, with volumes increasing by 18% year-on-year. Kazakhstan continues to diversify transportation routes through Atyrau–Samara, Atasu–Alashankou and Caspian Sea / Aktau corridors.

Oil and gas industry overview (2/4)

Domestically, Kazakhstan's refining base is supported by three major refineries in Atyrau, Pavlodar and Shymkent.

In 2025, oil refining volumes reached 18.4 million tonnes, exceeding the annual plan by 2.9%,while output of key petroleum products totaled 15.45 million tonnes. Refinery modernization continues to support fuel supply security and reduce dependence on imported petroleum products.

Despite evolving global energy trends, oil remains central to Kazakhstan's economic development and is expected to retain its strategic importance for the foreseeable future.

Gas production

Natural gas represents one of Kazakhstan's key growth opportunities, supported by substantial reserves, rising domestic demand and ongoing gasification efforts. In 2025, gas production reached 68.2 billion m³, exceeding the annual plan by 8.4%.

Gas production in Kazakhstan remains closely linked to major oil and gas fields, particularly Karachaganak, Tengiz and Kashagan. In 2025, these three projects accounted for almost 88% of total gas production: Karachaganak produced 25.3 billion m³, Tengiz — 22.6 billion m³, and Kashagan — 12.0 billion m³. Other fields, including Zhanazhol, Urikhtau, Amangeldy, and deposits in the Ustyurt and Aral Sea regions, continue to support the country's gas resource base and provide potential for further independent gas development.

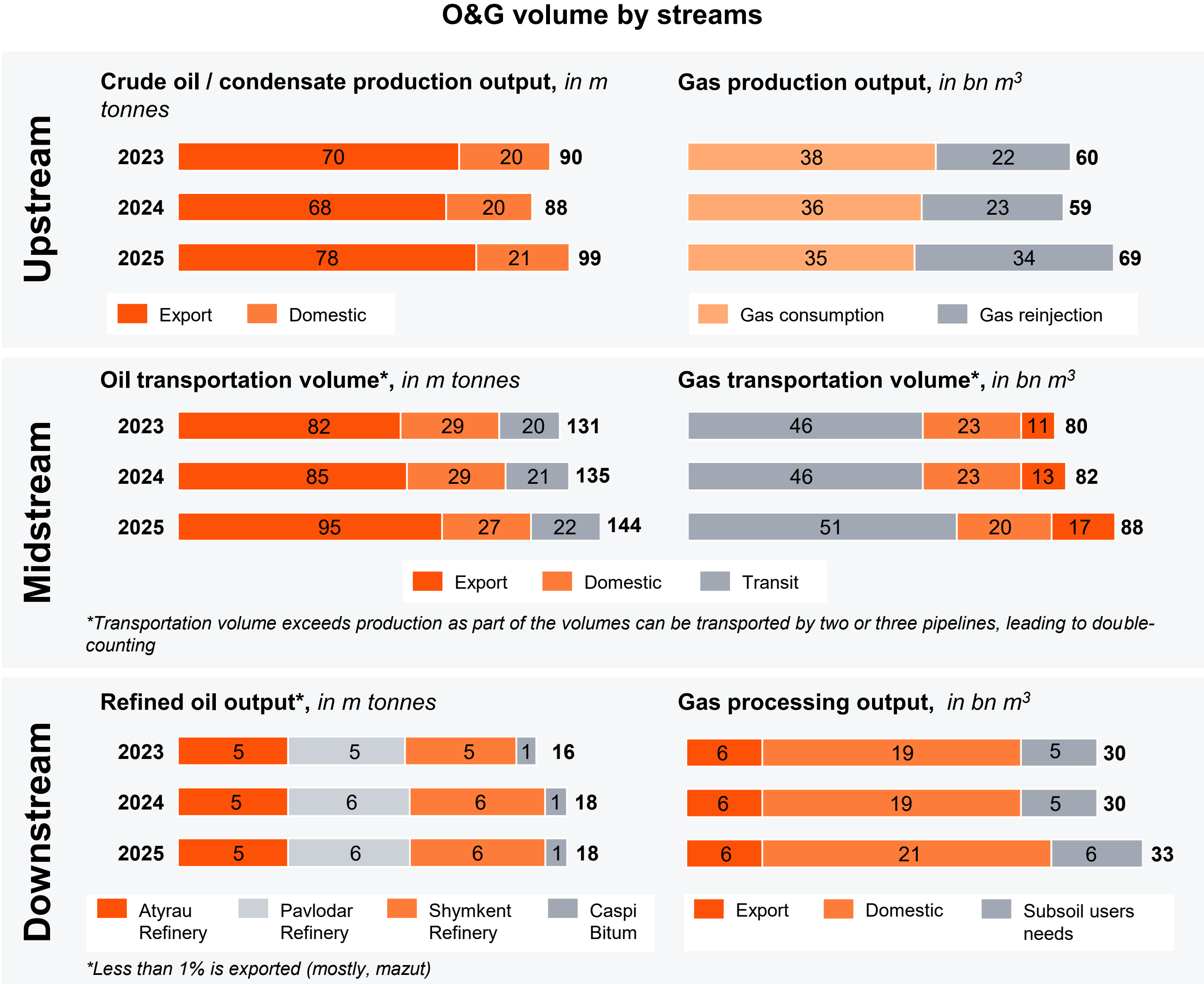
Kazakhstan is increasingly focused on strengthening domestic gas supply and expanding regional gasification.

By the end of 2025, the national gasification level reached 64.2%, compared with 62.4% in 2024. More than 88.5 thousand people gained access to natural gas during the year, and 945.78 km of gas supply networks were constructed. Gas exports declined to 5.0 billion m³ from 5.7 billion m³ in 2024, reflecting a focus on domestic market needs.

Further development of gas processing, transportation infrastructure and petrochemicals will be critical for the sector's long-term transformation.

In 2025, oil and gas chemical production reached 619.2 thousand tonnes, exceeding the annual plan by 12.6%; 117 thousand tonnes were supplied to the domestic market, and 469.5 thousand tonnes were exported.

Oil and gas industry overview (3/4)



Oil Balance Dynamics and Industry Ownership Structure

This section provides an overview of the key developments in Kazakhstan's oil balance in 2023–2024, along with a projected outlook for the period 2025–2050. It also covers the geographical distribution of major assets and the ownership structure within the oil industry.

While Kazakhstan's oil sector has largely recovered from the adverse effects of the COVID-19pandemic, certain indicators continued to exhibit volatility in 2024. Notably, export volumes reached record levels — however, this was driven not by production growth but rather by a decline in apparent domestic consumption.

In 2024, crude oil production decreased by 2.7% to 87.6 million tonnes (1.75 million barrels per day), while crude oil exports rose by 0.5% to 71.0 million tonnes (1.42 million barrels per day).Apparent domestic consumption of crude oil fell by 14.3% to 16.5 million tonnes (0.33 million barrels per day), and refinery throughput declined by 0.8% to 17.5 million tonnes (0.35 million barrels per day).

Oil and gas industry overview (4/4)

Table: Crude Oil and Gas Condensate Balance in Kazakhstan

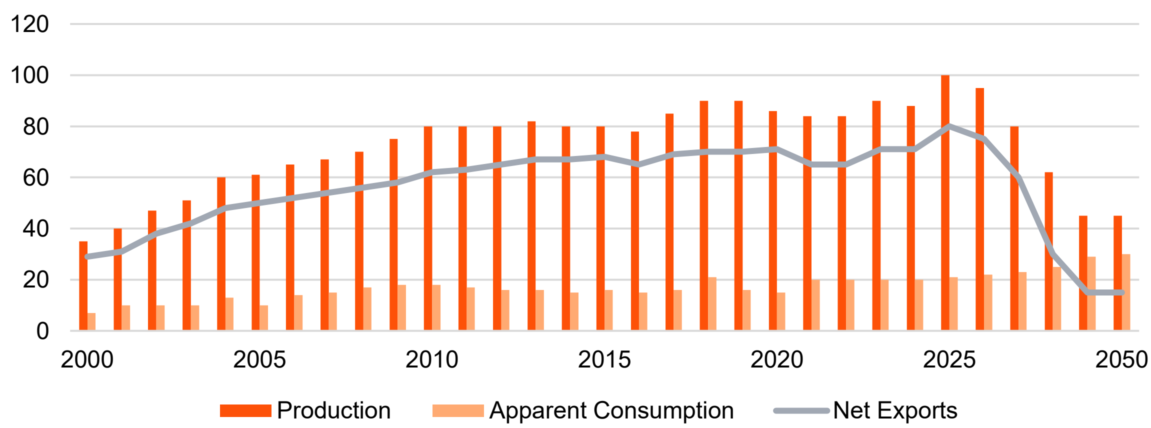
Indicator	2017	2018	2019	2020	2021	2022	2023	2024	Change (%) 2024-23
Production	**86,2**	**90,4**	**90,6**	**85,7**	**85,9**	**84,2**	**90**	**87,6**	**-2,7**
Total Exports	**69,6**	**70,2**	**70**	**70,6**	**65,7**	**65,2**	**70,7**	**71**	**0,5**
Exports outside post-Soviet space	69,2	69,4	69,8	70	65,6	65	70,5	70,7	0,4
Exports to post-Soviet countries	0,4	0,8	0,2	0,5	0,1	0,2	0,2	0,3	38,9
Russian Federation	0,1	0,5	0,1	0,1	0,1	0	--	--	
Ukraine	0	0	--	--	--	--	--	--	
Azerbaijan	0,1	0,1	--	--	--	0,1	0,1	0,2	58,1
Kyrgyzstan	0	0	--	0	--	--	--	--	
Uzbekistan	0,2	0,2	0,1	0,5	0,1	0,1	0,1	0,1	-8,1
Belarus	0,1	0	0	0	--	--	--	--	
Total Imports									
From Russia*	10,1	10	10	10	10	10	10,1	10,2	0,7
From other countries	0	0	0	0	0	0	0	0	
Net Exports	69,5	70,2	70	70,6	65,7	65,2	70,7	71	0,5

Based on early indicators for 2025, crude oil production, exports, and domestic demand for petroleum products in Kazakhstan have all increased year-on-year — demonstrating notable growth compared to prior years — while refinery throughput continues to show relatively subdued momentum.

Under the base-case scenario, Kazakhstan's oil production is expected to continue growing through 2026 and 2027, reaching a peak in the range of 100–101 million tonnes and maintaining that level until 2032, after which it will enter a phase of gradual but steady decline. By 2050, the country's total liquids output is projected to decrease by approximately 49% compared to 2024 levels.

The majority of produced crude will continue to flow to export markets. However, over the longer term, net export volumes are expected to contract in line with the overall decline in production, falling by an estimated 80%, while apparent domestic consumption of crude is projected to increase by 80%. As a result, the share of total production directed to export markets is forecast to decline from 81.1% in 2024 to approximately 33.8% by 2050.

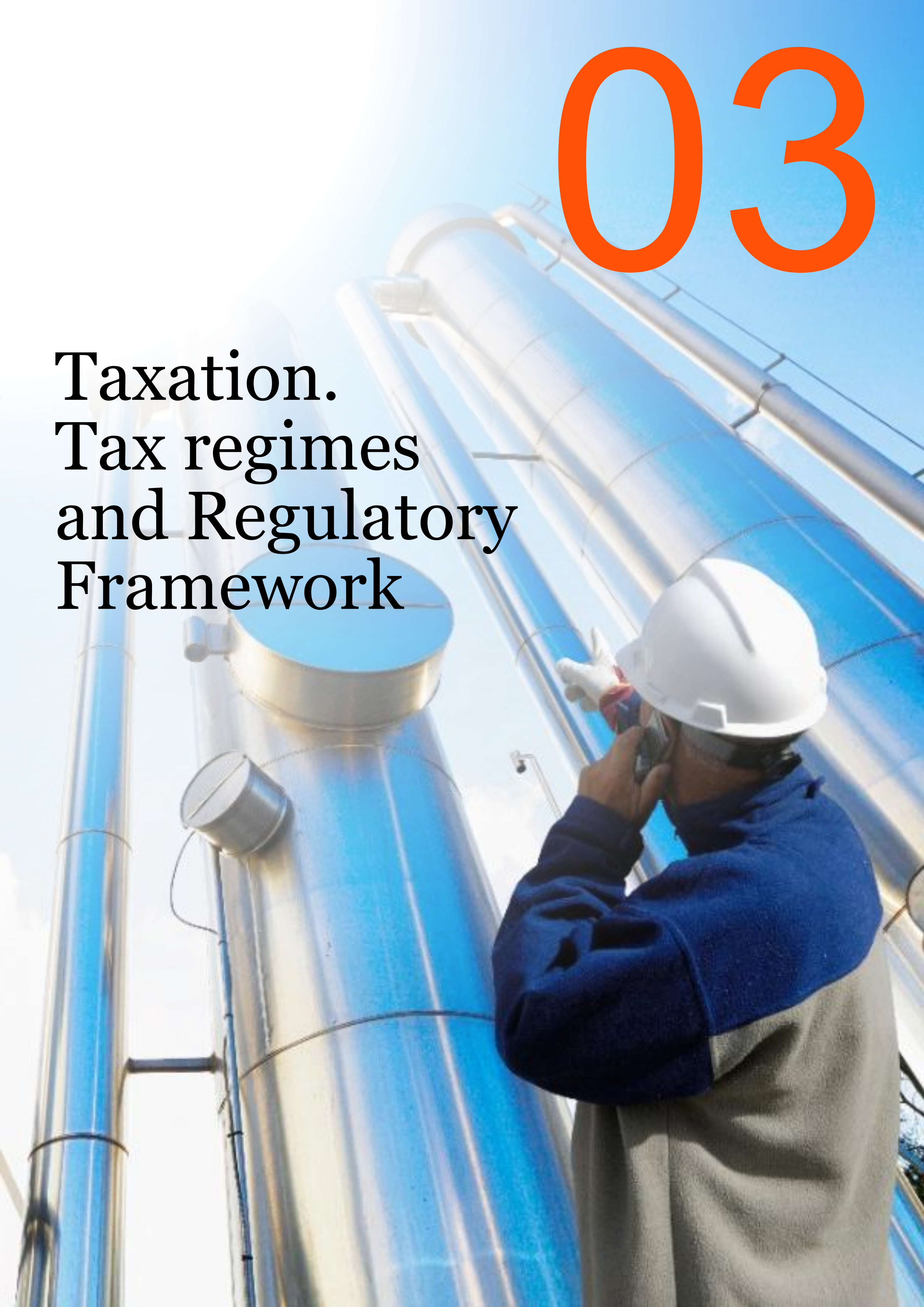
Figure: Balance of Crude Oil and Gas Condensate in Kazakhstan: Forecast to 2050



Sources: PwC Analysis, BMI, Bureau of National Statistics RK, National Bank of Kazakhstan, the Ministry of Energy of Kazakhstan, KMG annual report, KazEnergy

03

Taxation. Tax regimes and Regulatory Framework



Taxation of subsurface users (1/16)

The following taxes apply to entities engaged in oil and gas subsoil use activities in Kazakhstan.

Corporate income tax ("CIT")

Corporate income tax is assessed for a calendar year except for certain types of activities. Taxable income is determined as the taxpayer's aggregate annual income less allowable deductions.

Subsoil users are required to maintain separate tax accounting for each subsoil use contract and for non-contractual activities.

The tax period for CIT purposes is a calendar year.

Tax Rates

- Standard Rate: 20% for resident companies on worldwide profits. Non-residents are taxed only on Kazakhstan-sourced income or through a Permanent Establishment (PE) / Branch.
- Branch Profits Tax: 15% branch profits tax applies to non-residents operating through a Branch / PE, after the standard 20% CIT is paid.

Income Recognition for Subsoil Users

Annual aggregate income (“AAI”) of a subsoil user generally includes all income derived from contractual and non-contractual activities, including income from the sale of hydrocarbons and products obtained from their processing.
In addition to general categories of taxable income applicable to all taxpayers, the following types of income are specifically recognized for subsoil users:

- If the amount of adjustments reducing the cost balance of the pre-production expenditure group exceeds the cost balance of that group at the beginning of the tax period, taking into account expenses incurred during the tax period, the excess is included in AAI. In this case, the closing balance of the group becomes zero.

Taxation of subsurface users (2/16)

- If actual expenses for liquidation of field development consequences incurred during the entire period of the subsoil use contract and funded from the liquidation fund are lower than the total contributions made to that fund, the difference is included in AAI in the tax period in which the subsoil use contract terminates. This amount is reduced by any previous adjustment to AAI made due to non-targeted use of the liquidation fund.
- Where a subsoil user settles a tax obligation in kind by transferring hydrocarbons to the recipient acting on behalf of the state, the amount of the fulfilled tax obligation is included in AAI. At the same time, the cost of the minerals transferred in kind is deductible, and the amount of the tax obligation fulfilled in kind is also deductible under the general rules for deduction of taxes.

Deductions for Subsoil Users

As a general rule, taxpayers, including subsoil users, are entitled to claim expenses incurred in relation to income-generating activities for CIT deduction purposes, subject to appropriate documentary support.

Below are some specific deduction rules for Subsoil Users.

Pre-production expenditures

The Tax Code establish special rules for tax accounting of pre-production expenditures.
These rules apply to subsoil use contracts for:

- exploration;
- state geological study of subsoil;
- geological study of subsoil;
- combined exploration and production;
- production involving preparatory works;
- construction and/or operation of underground facilities connected with exploration and/or production.

Pre-production expenditures include expenses incurred before the start of production after discovery, including geological study, exploration and appraisal costs, preparatory works, field development costs, general administrative expenses, signature bonus, commercial discovery bonus, costs of acquiring or creating fixed assets and intangible assets, acquisition of subsoil use rights, transferred pre-production expenditure balances and other expenses.
Such expenditures form a separate pre-production expenditure group. They are deducted through depreciation or through special deduction mechanisms upon termination or transfer of the relevant subsoil use contract.

Taxation of subsurface users (3/16)

Depreciation of pre-production expenditures

Depreciation deductions for the pre-production expenditure group are calculated by applying the depreciation rate selected by the subsoil user in the tax register to the closing cost balance of the group.

The selected depreciation rate may not exceed:

37.5% for contracts for exploration and production or production of hydrocarbons under complex offshore projects during the period specified in the tax code;

25% for other subsoil use contracts, including complex offshore projects after the end of the special period, and for non-contractual activities where the pre-production expenditure balance is transferred to such activities.

Depreciation begins:

- for the contract with pre-production expenditures - from the tax period in which the start of production after discovery occurs;
- for a continuing contract or another subsoil use contract - from the tax period in which the pre-production expenditure balance or transferable asset group balance is transferred;
- for non-contractual activities - from the tax period in which the pre-production expenditure balance is transferred to non-contractual activity.

Start of production after discovery

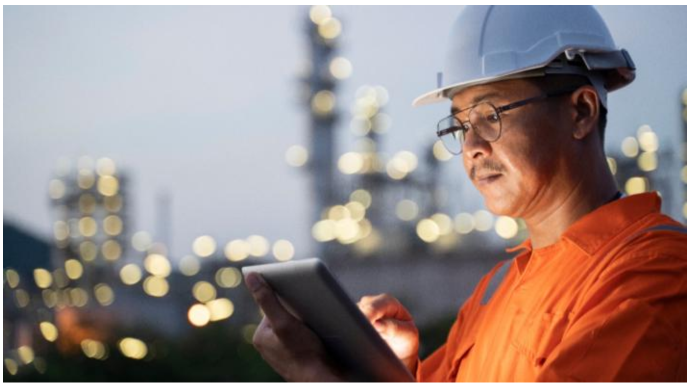
For hydrocarbons, the “date of start of production after discovery” is the first calendar day on which either:

- reserves have been approved by the authorised body for subsoil study and hydrocarbonproduction is carried out; or
- hydrocarbon production is carried out after approval of hydrocarbon reserves or whereapproved reserves already exist.

This date is important because expenses incurred before this date are accumulated in the pre-production expenditure group, while expenses arising after this date are generally accounted forunder the ordinary CIT deduction rules, unless special rules apply.

Deduction upon termination of a subsoil use contract

Upon termination of activities under a subsoil use contract, the taxpayer may deduct the remaining cost balance of the pre-production expenditure group in the tax accounting of that contract in the last tax period in which the contract is terminated.



Taxation of subsurface users (4/16)

Transfer to a continuing subsoil use contract

Under the Tax Code, if a continuing subsoil use contract is concluded, the cost balance of the pre-production expenditure group is transferred to the continuing contract.

The transfer is made by simultaneously reducing the balance under the initial contract and increasing or forming the pre-production expenditure group under the continuing contract.

If several continuing contracts are concluded, the transferred balance is allocated between them based on the separate tax accounting method set out in the tax accounting policy. If no such method is established, the allocation is made based on the share of approved reserves under each continuing contract in the total approved reserves of all continuing contracts.

The transfer is made in the tax period in which the continuing contract is concluded and is based on the subsoil user's tax register.

Transfer where no continuing contract exists

If no continuing subsoil use contract exists as of the termination date of the contract with pre-production expenditures, or if no discovery is made allowing the subsoil user to enter into a continuing contract, the subsoil user may transfer the pre-production expenditure balance to another subsoil use contract or to non-contractual activities.

The transfer is made by simultaneously reducing the balance under the original contract and increasing or forming the pre-production expenditure group under the other contract or non-contractual activity.

If the transfer is made to more than one contract or activity, the balance is allocated using one of the common expense allocation methods specified in the tax accounting policy.

Non-productive wells

If a well is liquidated because no commercial inflow of hydrocarbons is obtained during testing, the actual construction and liquidation costs of such non-productive well are deductible.

Costs incurred before the start of production after discovery are deducted through the pre-production expenditure group.

Costs incurred after the start of production after discovery are deducted in the tax period in which the non-productive well is liquidated.

Taxation of subsurface users (5/16)

Non-contractual activity

The Tax Code provides that the following expenses are treated as expenses of non-contractual activity:

- expenses connected with entering into a subsoil use contract and acquiring the subsoil use right, incurred before the contract date, except for the signature bonus;
- expenses transferred to non-contractual activity from a contract with pre-production expenditures under provisions of the Tax Code.

Training of Kazakhstan personnel and social development expenses

Actual expenses incurred by a subsoil user for training Kazakhstani personnel who are not employees of the subsoil user, as well as expenses for regional social development, are deductible within the limits established by the subsoil use contract.

Expenses for training, professional development or retraining of the subsoil user’s employees in specialties related to its production activities are deducted under the general employee training deduction rules.

If such expenses are incurred before the start of production after commercial discovery, they are deducted through the pre-production expenditure group, within the limits established by the subsoil use contract.

Expenditures related to financing of scientific research

Subsoil user may within certain limits deduct expenses incurred under its contractual obligation to finance scientific research of:

- accredited scientific organizations and autonomous educational organizations;
- the autonomous cluster fund for financing projects of Astana Hub participants.

Non-deductible expenses

The Tax Code specifically disallows certain subsoil user expenses from CIT deduction such as:

- additional payment paid by a subsoil user operating under a production sharing agreement;
- expenses related to sale of minerals transferred by the subsoil user in satisfaction of a tax obligation in kind;
- value of minerals transferred in satisfaction of a tax obligation in kind by the recipient acting on behalf of the state;
- value of minerals transferred by the subsoil user in satisfaction of a tax obligation in kind.

Taxation of subsurface users (6/16)

Capital allowances

Fixed assets are classified into four group for the purposes of tax depreciation calculation. The following marginal depreciation rates are established under the Tax code:

Group	Assets included to the group	Rates
I	Buildings, facilities, except for oil, gas wells and conveyor facilities	10
II	Machines and equipment, except for machines and equipment for oil and gas production, as well as computers and equipment for information processing	25
III	Computers, software and equipment for information processing	40
IV	Fixed assets not included into other groups, including oil, gas wells, transmission facilities, machines and equipment for oil and gas production	15

The following items, among other things, shall be considered as fixed assets:

- Tangible assets, investments in real estate, intangible assets and biological assets booked in accordance with IFRS and/or KZ Law on accounting and intended to be used for business purposes;
- Assets with a useful life more than one year, transferred into possession or used to concessionary;
- Assets with a useful life more than one year, which are received from a trust manager and intended to be used for business purposes;
- Subsequent expenses related to the property obtained under a rent agreement (except for the lease agreement) and recognized as a long-term asset;
- Subsequent expenses related to the property obtained under a rent agreement (except for the lease agreement) and recognized as a long-term asset;

With regard to the fixed assets commissioned for the first time the subsoil users have a right to apply for double depreciation rates in the first taxable period, provided the assets will be used for profit-generating activities for at least three years.

Subsequent expenses are costs incurred after asset recognition and include costs for repair, reconstruction, modernization, and maintenance of fixed assets used in profit-generating activities. These expenses may be capitalized and increase the value balance of asset groups or deducted, depending on their nature and applicable Tax Code provisions. Expenses related to leased property may also qualify as fixed assets if recognized as long-term assets.

Taxation of subsurface users (7/16)

Value Added Tax (VAT)

VAT is applicable to the sales value of goods, works, and services as well as to imports.

There is a list of goods, works, and services exempt from VAT (e.g. certain financial services provided by financial institutions, financial leasing services, notary and advocacy services operations with financial securities and investment gold, loan transactions).

The VAT reporting period is a calendar quarter.

VAT rate

The general VAT rate is set at 16%. Exports of goods are generally subject to a 0% VAT rate, provided the documentary requirements of the Tax Code are satisfied.

VATable turnover

VAT is imposed on:

- taxable turnover arising from the sale of goods, works and services in Kazakhstan; and
- taxable imports.

Taxable turnover includes:

- turnover from the sale of goods, works and services by a VAT payer;
- acquisition of works and services from a non-resident where the place of supply is Kazakhstan; and
- deemed turnover on certain inventories upon VAT deregistration.

Input VAT recovery (VAT Offset)

A VAT payer may credit input VAT incurred on goods, works and services acquired or imported, provided that such goods, works and services are used or will be used for the purposes of taxable turnover and the requirements of the Tax Code are met.

Non-Recoverable input VAT

Input VAT is not recoverable to the extent it relates to:

- exempt turnover;
- transactions that do not constitute taxable turnover; or
- other cases specifically restricted under the Tax Code.

Reverse-charge VAT

Where works or services are acquired from a non-resident on a remunerated basis and the place of supply is Kazakhstan, such acquisition constitutes a taxable turnover of the Kazakhstan VAT-payer and is subject to VAT under the reverse-charge mechanism.

Taxation of subsurface users (8/16)

Place of supply rules

For VAT purposes, the place of supply determines whether a transaction is subject to Kazakhstan VAT.

Kazakhstan is generally regarded as the place of supply where:

- goods are dispatched from Kazakhstan or transferred to the purchaser in Kazakhstan;
- services are directly connected with immovable property located in Kazakhstan;
- installation, assembly, repair or maintenance services are physically performed in Kazakhstan;
- the purchaser carries out business activities in Kazakhstan in respect of specified services, including consulting, engineering, legal, accounting, audit, marketing, IT, software maintenance, information processing, personnel provision and similar services;
- other services are rendered by a supplier carrying out business activities in Kazakhstan.

VAT rules relevant for Subsoil Users

The following transactions specific to subsoil users are not treated as VATable turnover:

- transfer to Kazakhstan of property created or acquired by a subsoil user and required to be transferred to the State under a subsoil use contract; and
- transfer of minerals to the State in satisfaction of tax obligations in kind, as well as the subsequent sale of such minerals by the authorized State recipient.

VAT registration

- The mandatory VAT registration threshold is 10,000 monthly calculation index (“MCI”) (approximately KZT 43 million).
- The tax application must be filed no later than 5 business days from the date the threshold is exceeded (reduced from the previous requirement of 10 business days from the end of the month in which the threshold was exceeded).
- Where a single transaction exceeds the turnover threshold, the taxpayer must file the tax application prior to completing the transaction.
- Voluntary registration is possible.

VAT e-invoice

All VAT payers should issue VAT invoices in electronic format (‘e-invoices’). This requirement also applies for purchases of works/services purchased from non-residents where the place of supply is deemed to be in Kazakhstan (the e-invoice is issued no later than 5 calendar days from the date of VAT payment to the budget), such VAT may be offset against output VAT.

VAT payers issuing e-invoices who are involved in sales of certain types of goods (specifically listed in the order of the Ministry of Finance) should register these goods within the virtual warehouse (VW) module.

If such goods are not in the VW module, their sale is impossible, as the e-invoicing information system prevents a taxpayer from issuing an e-invoice for goods that are not in the VW module.

Taxation of subsurface users (9/16)

Mineral extraction tax

Mineral Extraction Tax ("MET") is a core production-based tax applicable to subsoil users engaged in extraction of hydrocarbons n Kazakhstan.

MET is calculated separately depending on the type of extracted resources.

MET is not applicable to subsoil users subject to the alternative subsoil use tax regime.

The tax period is a calendar quarter.

Taxable base

The object of taxation is the volume of extracted mineral resources, including:

- minerals sold;
- minerals transferred for processing;
- minerals used for own production needs.

The tax base for hydrocarbon is determined based on the volume of extracted hydrocarbons and their value calculated in accordance with the procedure established by the Tax Code.

Tax rates

Crude oil

MET rates applicable for 2026 are established on a progressive scale depending on the volume of annual production as indicated in the table below.

Volume of annual oil production, for each calendar year (thousand tons)	MET 2026
Up to 250 inclusively	5%
From 251 to 500 inclusively	7%
From 501 to 1,000 inclusively	8%
From 1,001 to 2,000 inclusively	9%
From 2,001 to 3,000 inclusively	10%
From 3,001 to 4,000 inclusively	11%
From 4,001 to 5,000 inclusively	12%
From 5,001 to 7,000 inclusively	13%
From 7,001 to 10,000 inclusively	15%
Over 10,000	18%

Taxation of subsurface users (10/16)

These rates are reduced by 50% if the production is processed domestically in Kazakhstan either by transferring or selling it on the domestic market or by using it for the producer's own production needs. There are special rules for the calculation of tax bases in such cases.

In the case of natural gas that is exported, a flat rate of 10% applies. If the gas is sold to the domestic Kazakhstan market, rates are reduced to between 0.5% and 1.5%, depending on the level of annual production.

The amount of MET is calculated by applying the relevant tax rate to the tax base. Calculation of MET is performed separately for each subsoil use contract.

Starting from 1 January 2027, MET rates for crude oil will be significantly increased, ranging from 19% to 67% depending on the annual production volume. Further, where crude oil is sold or transferred to the domestic market of Kazakhstan (including in-kind transfers in respect of tax obligations or use for own production needs), an equalizing coefficient will be applied to the applicable MET rates. Such coefficient is determined by the authorized body in accordance with the procedure established by the Tax Code.

Taxation of subsurface users (11/16)

Excess profit tax

Excess Profit Tax ("EPT") is a special tax applicable to subsoil users operating under individual subsoil use contracts. The purpose of the tax is to capture a portion of extraordinary, or windfall profits generated from highly profitable extractive projects.

EPT is not applicable to subsoil users subject to the alternative subsoil use tax regime.

EPT is calculated and paid separately for each subsoil use contract. The tax period is a calendar year.

Tax base

EPT is levied on the portion of net income that exceeds 25% of total deductions under a specific subsoil use contract.

For EPT purposes, net income is determined as:

- aggregate annual income,
- minus deductible expenses,
- minus Corporate Income Tax (CIT),
- minus Branch Profits Tax (if applicable).

Tax rate

EPT is calculated using a progressive rate scale as indicated in the below table.

Net income allocation schedule for EPT, % of deductions	% for calculating marginal net income allocation for EPT	EPT rate (%)
Less than or equal to 25%	25%	Not set
From 25% to 30% inclusively	5%	10%
From 30% to 40% inclusively	10%	20%
From 40% to 50% inclusively	10%	30%
From 50% to 60% inclusively	10%	40%
From 60% to 70% inclusively	10%	50%
Over 70%	Any excess	60%

Taxation of subsurface users (12/16)

Rent tax on export

The rent tax on export is levied on the export of crude oil and raw oil products by entities exporting such products, except for volumes exported by subsoil users operating under PSAs and, from 1 January 2027, subsoil users subject to the alternative subsoil use tax regime.

From 1 January 2027, subsoil users paying MET will also not be subject to rent tax on export.

The taxable base is the physical volume of exported crude oil or raw oil products, multiplied by the world price of crude oil and crude oil products, including gas condensate.

The world price is determined as the arithmetic mean of daily quotations for each of the Urals Med - CIF Augusta, Kebco - CIF Augusta or Brent Dtd brands in the tax period on the basis of information published either in «Argus Crude» issued by the Argus Media Ltd Company or, if that source does not provide price information for those brands, in the Crude Oil Market Wire Basic Service by S&P Global Inc. (S&P Global CommodityInsights) company.

The tax period for rent tax on export is a calendar quarter. The tax rates applied to exported crude oil and crude oil products, including gas condensate, vary as shown in the next table.

Market price (US$/bbl)	Rate (%)
up to US$40/bbl inclusively	0%
US$50/bbl inclusively	7%
US$60/bbl inclusively	11%
US$70/bbl inclusively	14%
US$80/bbl inclusively	16%
US$90/bbl inclusively	17%
US$100/bbl inclusively	19%
US$110/bbl inclusively	21%
US$120/bbl inclusively	22%
US$130/bbl inclusively	23%
US$140/bbl inclusively	25%
US$150/bbl inclusively	26%
US$160/bbl inclusively	27%
US$170/bbl inclusively	29%
US$180/bbl inclusively	30%
US$190/bbl inclusively	32%
US$200/bbl inclusively	32%

Taxation of subsurface users (13/16)

Alternative subsoil use tax

Alternative Subsoil Use Tax ("AST") applies to subsoil use contracts for the exploration and/or production of hydrocarbons:

— on the continental shelf of the Republic of Kazakhstan located in the Kazakh sector of the Caspian Sea;

— involving deep-lying deposits;

— for fields classified as mature (depleted).

The taxable base for AST is defined as the difference between aggregate annual income calculated for AST purposes and deductions allowed for AST purposes.

AST is not an additional tax but represents an alternative tax regime available for certain subsoil users. It replaces the following taxes and payments, hence providing more efficient tax regime potentially.

- MET;
- EPT;
- historical cost recovery payment; and
- rent tax on exports (from 2027).

The AST rates are set out in the table below.

World price	Rate, % (in other cases)	Rate, % (for complex offshore projects)
Up to USD 50 inclusively	0	0
Up to USD 60 inclusively	6	2
Up to USD 70 inclusively	12	4
Up to USD 80 inclusively	18	6
Up to USD 90 inclusively	24	8
Up to USD 100 inclusively	30	10
Up to USD 110 inclusively	32	10,7
Up to USD 120 inclusively	34	11,3
Up to USD 130 inclusively	36	12,0
Up to USD 140 inclusively	38	12,7
Up to USD 140 inclusively	40	13,3
Over USD 150 per barrel	42	14,0

Taxation of subsurface users (14/16)

Payment for Compensation of Historical Costs

The payment for compensation of historical costs is a fixed payment payable by a subsoil user to compensate the aggregate costs incurred by the state for (i) geological study of the contract territory (subsoil plot) and (ii) exploration of deposits before the subsoil use contract was concluded.

As a general rule, subsoil users operating under a subsoil use contract are payers of the payment for compensation of historical costs in respect of deposits for which the state incurred geological study/exploration costs before the contract.

A subsoil user operating under a license for exploration or production of solid minerals is not a payer if both of the following conditions are met:

- the relevant solid minerals exploration/production license was issued after 31 December 2017 under Kazakhstan subsoil legislation; and
- the licensed territory did not relate to a territory where subsoil rights were granted before 1 January 2018 under subsoil use contracts.

The amount of historical costs is calculated by the authorized subsoil study body based on official state accounting data and is determined and formalized in a confidentiality agreement concluded between the subsoil user and the authorized body.

The payment becomes due from the commencement of production and upon the earliest of the following events: declaration of a commercial discovery, transition to the production stage, issuance of a production license, or conclusion of a production contract. Payment is made to the budget at the location of the subsoil user.

The payment schedule depends on the total amount determined:

- If the total amount does not exceed 10,000 MCI* (as of the date of the confidentiality agreement), the payment must be made in a lump sum no later than 10 April of the year following the year in which production commenced.
- If the total amount exceeds 10,000 MCI (approximately KZT 43 million), the payment is made in equal quarterly installments no later than the 25th day of the second month following the reporting quarter. The installment period may not exceed the term of the subsoil use contract and in any case may not exceed 10 years.

Taxation of subsurface users (15/16)

Signature bonus

The signature bonus is a one-time, fixed payment payable for the acquisition of subsoil use rights over a contract territory (subsoil plot), as well as upon the expansion of such contract territory. The signature bonus is payable by a person that, in accordance with the legislation of the Republic of Kazakhstan on subsoil and subsoil use:

- becomes the winner of a tender (auction);
- signs a protocol of direct negotiations; or
- concludes or obtains a subsoil use contract or license (exploration, production, combined exploration and production, geological study, use of subsoil space, artisanal mining).

The starting amount of the bonus is set by the competent authority and may vary depending on the attractiveness of the subsoil area and whether reserves are approved. The final amount of the signature bonus may not be lower than the starting amount and is determined based on the results of an auction or direct negotiations and included in the subsoil use contract.

For hydrocarbon exploration contracts where reserves have not been approved, the bonus is fixed at 2,800 MCI (approximately KZT 12 million). For hydrocarbon production and combined exploration and production contracts where reserves have not been approved, the bonus is fixed at 3,000 MCI (approximately KZT 13 million). Where hydrocarbon reserves are approved, the bonus is calculated using the formula (C × 0.04%) + (Cp × 0.01%), but not less than 10,000 MCI (approximately KZT 43 million).

Taxation of subsurface users (16/16)

Indirect taxes

Import customs duties

Kazakhstan is a member-state of the Eurasian Economic Union (EAEU) along with Russia, Belarus, Armenia and Kyrgyzstan.

Import of goods to Kazakhstan from the EAEU member states is exempt from customs duties. Import of goods from other countries is subject to customs duties at the rates established by the common customs tariff of the EAEU.

Export customs duties

Export customs duties are established by each member state of the EAEU separately. Export customs duty rate for crude oil is calculated by the authorized state body based on the results of each reporting quarter depending on the data on monthly average market price for crude oil.

Export customs duties for crude oil are indicated in the table below:

Market price of crude oil for the preceding period, USD per barrel (Lower Limit)	Market price of crude oil for the preceding period, USD per barrel (Upper Limit(inclusive))	Duty Rate (USD/ton)
0	25	0
25	105	Price Adjustment
105	115	115
115	125	130
125	135	145
135	145	160
145	155	176
155	165	191
165	175	206
175	185	221

Other

Contract transfers

The Kazakhstan State has a priority right on transfers of subsurface use rights and securities issued in the established securities market that are associated with the subsurface use rights, for oilfields of strategic importance.

Transfer pricing ("TP")

TP control applies to cross border transactions that directly or indirectly relate to international business including transactions with unrelated parties. The transactions should satisfy arm's-length principle.

04

Why PwC?

Why PwC? (1/2)

Creating value with the synergy of our services

Our experts

PwC Eurasia has 1100+ fulltime professionals ready to serve its clients.

More than 50% of these professionals operate from **Kazakhstan**

Industry experience

PwC has worked in the region for more than **28** years since **1993**.

For the last 3 years, PwC Eurasia

Advisory performed: 1,050+ projects

Why PwC? (2/2)

PwC is **the largest provider of professional services in Central Asia and the Caspian region**. In the CIS countries, PwC is a leading professional organization providing services to clients operating in various sectors of the economy.

Over the past 10 years, PwC has acted as financial advisor on **4,217 transactions worldwide**, 43% of which were cross-border. The total amount of transactions amounted to more than 436 billion US dollars.

PwC team has extensive experience in the Oil & Gas sector, providing support to industry companies on tax-related matters and regulatory compliance. Our team regularly advises market participants on a broad range of tax and associated issues, helping manage risks and ensure alignment with applicable legislation.

Experienced team of qualified specialists offering financial, legal and tax services and holding the most distinguished international credentials and degrees (ACCA, CFA, ADIT, LLM, etc.)

429 (86%) Fortune Global 500 companies are our clients

05

Our team

Our team

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Elena is a Partner in Tax, Legal and People Services department at PwC Kazakhstan with over 25 years of experience in providing tax consulting services.

Elena joined PwC after working in the Kazakhstan Ministry of Finance, where she was responsible for overseeing tax issues related to multinational companies operating in Kazakhstan.

Currently, Elena successfully leads:

- the practice of providing accounting and tax services in Kazakhstan for large international companies, as well as their representative offices and branches operating in the oil and gas sector.
- a number of ongoing projects in tax consulting services, including tax planning/structuring, tax reviews, tax due diligence, and successfully supports clients during tax audits, VAT, WHT refunds, as well as in disputes with tax authorities.

In addition, Elena is an experienced speaker with Kazakhstan tax authorities on the subject of tax disputes and was member of Chamber of Tax Consultants of the Republic of Kazakhstan

Qualifications: Elena is a member of the Association of Chartered Certified Accountants (ACCA), United Kingdom.

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Leylim is a Director of Tax, Legal and People Services department at PwC Kazakhstan. She has over 10 years of professional experience with the PwC tax practice in Kazakhstan and Mongolia.

Leylim was in two year secondment to PwC Mongolia, where she was involved in various projects for companies in oil&gas, retail, mining, construction, consulting, and other industries.

Leylim has vast experience in tax review services, consulting multinational and Kazakhstan companies operating in Oil&Gas sector on various domestic and cross border tax issues, including structuring, application of tax treaties, due diligence and identification of potential tax exposures and opportunities.

She is the key member of Turkish desk in PwC Kazakhstan and she is fluent in Turkish language.

Education and qualifications: She holds a Master degree in Economics from University of Sydney, Sydney, Australia.

Leylim is a Member of the Association of Chartered Certified Accountants (ACCA).

Thank you

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