KAZAKHSTAN CUSTOMS AUTHORITIES REFUSE TO GRANT CUSTOMS IMPORT DUTY

News / Airlines

In May 2015, **Kazakhstan customs authorities** charged substantial additional **customs duties** and taxes on BEK AIR, a Dutch-Kazakhstan joint venture which is the country's first low-cost airline. Bek Air has a fleet of 7 Fokker 100 aircraft, operating 12 domestic destinations, this year it is expected Bek Air will transport more than 0ne Million passengers.

In 2013-2014, the company brought four aircraft into Kazakhstan under lease contracts with Holland's Mass Jet Lease B.V. with buy-out rights. Those aircraft were exempt from both customs duties (in accordance with Decision No. 130 of the Customs Union dated November 27, 2009) and import value-added tax (in accordance with Resolution No. 269 of the Kazakhstan Government dated March 19, 2003). At the time of customs clearance, the customs authorities applied these exemptions and allowed the company to import the aircraft without paying any duty or tax.

Quite suddenly, in May 2015, the customs authorities audited the company and, as a result of the audit, reversed their earlier decision and rejected to apply the applicable exemptions. The resulting extra duty and tax liabilities charged on the company runs into millions of dollars. The company's management believes that "the customs authorities' U-turn is forcing the closure of the JV that

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simply has no such funds”.

The company emphasizes that the unilateral cancellation of the exemptions not only evidently violates applicable Kazakhstan laws, but also runs counter to the practice of dealing with other Kazakhstan airlines. The customs authorities have been granting applicable exemptions to other airlines under similar conditions. The JV can “only guess about the reasons of such discrimination”.

This raises serious issues of trustworthiness of the Government’s assurances on protection of foreign investment. This is particularly surprising that a blatant case like this occurs at such difficult times when the country needs foreign investors and the Government has put much effort in making foreign investors comfortable.

BEK AIR is now disputing the customs authorities’ decision in local courts. We will monitor and report to our readers on further developments.

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