

Investment Proposal | 2023

# **KHANDAGAYTY INDUSTRIAL PRODUCTION SPECIAL ECONOMIC ZONE**

New “eastern” gate  
for Russian export



# KHANDAGAYTY INDUSTRIAL PRODUCTION SPECIAL ECONOMIC ZONE (IPSEZ)

Arrangement of production facilities within this site will allow for entering the markets of Mongolia and Western China

## Initiator

Government of the Republic of Tyva

## Location

The special economic zone is planned to be arranged near Khandagayty automobile checkpoint in the Republic of Tyva, at the Russia-Mongolia Border

## Project Facilities

- industrial sector
- agro-industrial sector
- terminal and logistics hub
- social and business facilities

## Exemptions and Concessions

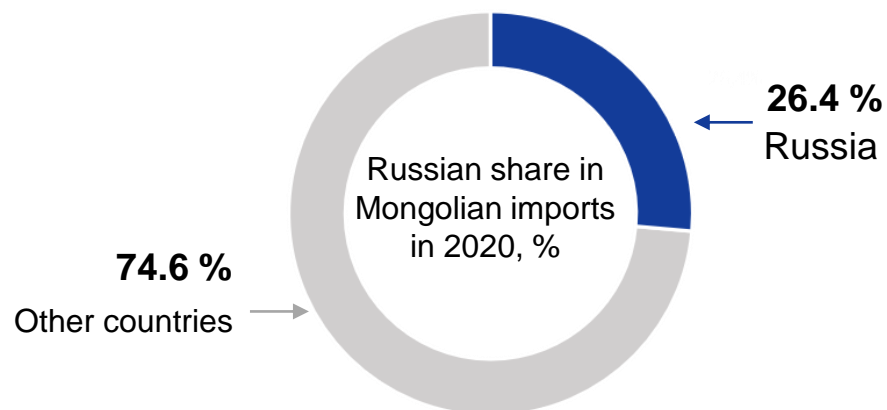
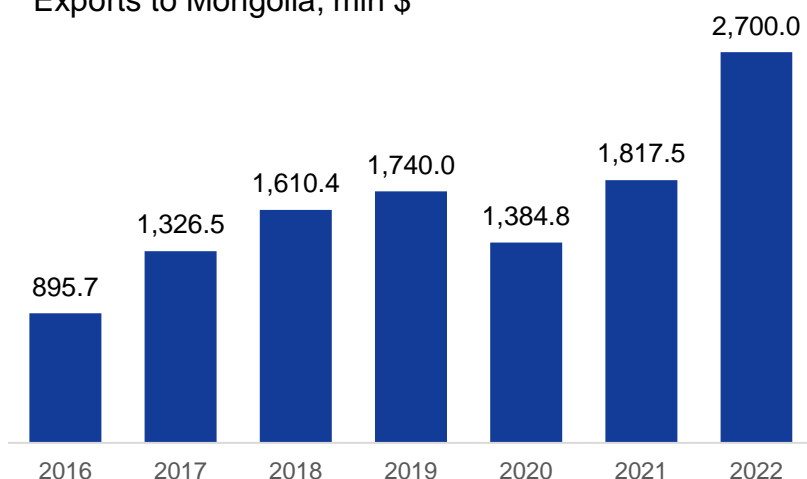
In KHANDAGAYTY SEZ, a special mode of business will be applied providing for certain benefits in accordance with Federal Law “On Special Economic Zones in the Russian Federation” No.116-FZ



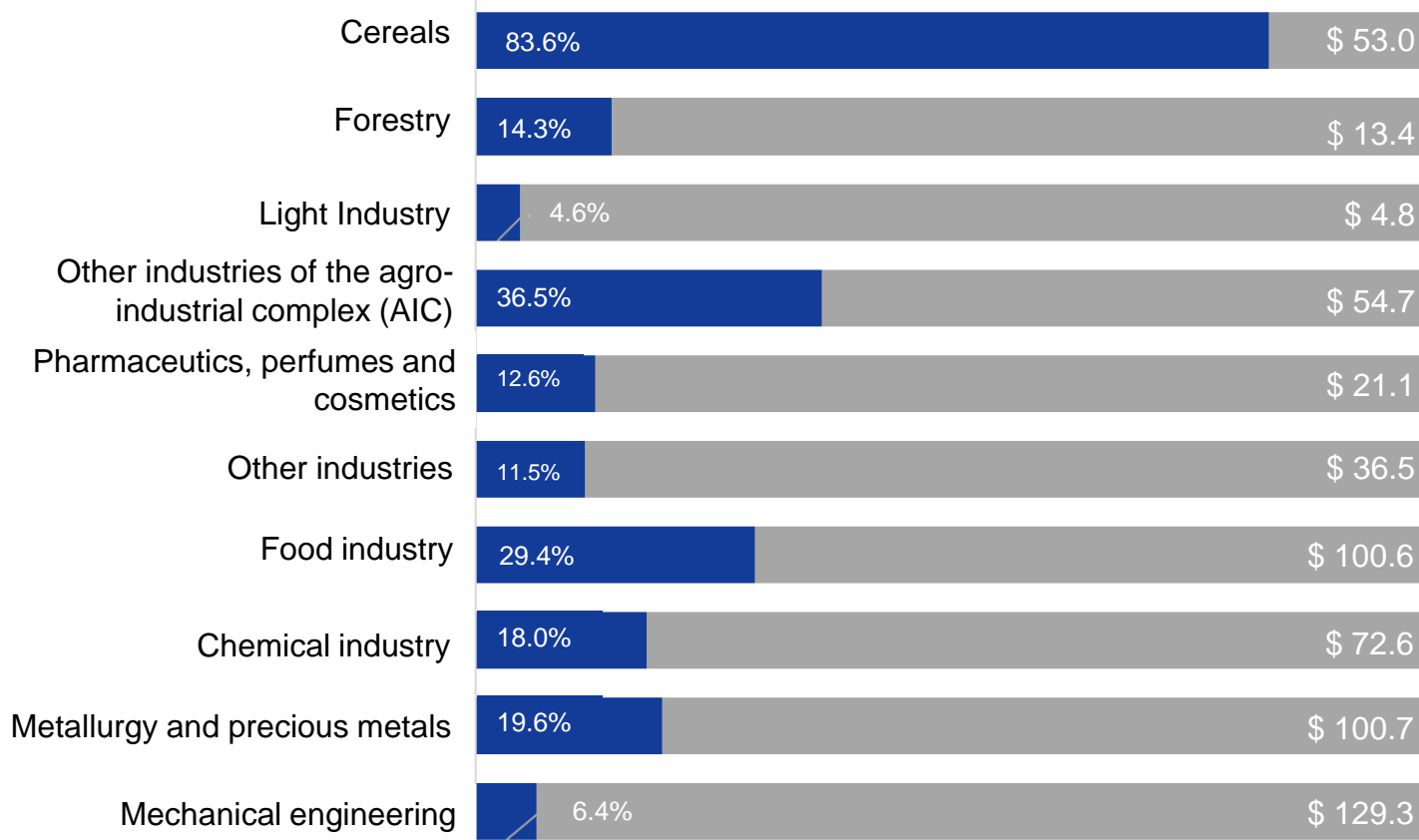
# In 2022, Russian companies were forced to rechannel the flows of commodities to the Eastern countries,

including Mongolia and China. The total import of Mongolia amounts to over \$5 bn, and there are unlimited opportunities for import to China

Exports to Mongolia, mln \$



Share and volume of Russia (out of all countries) in non-resource imports of Mongolia, by industries, mln \$



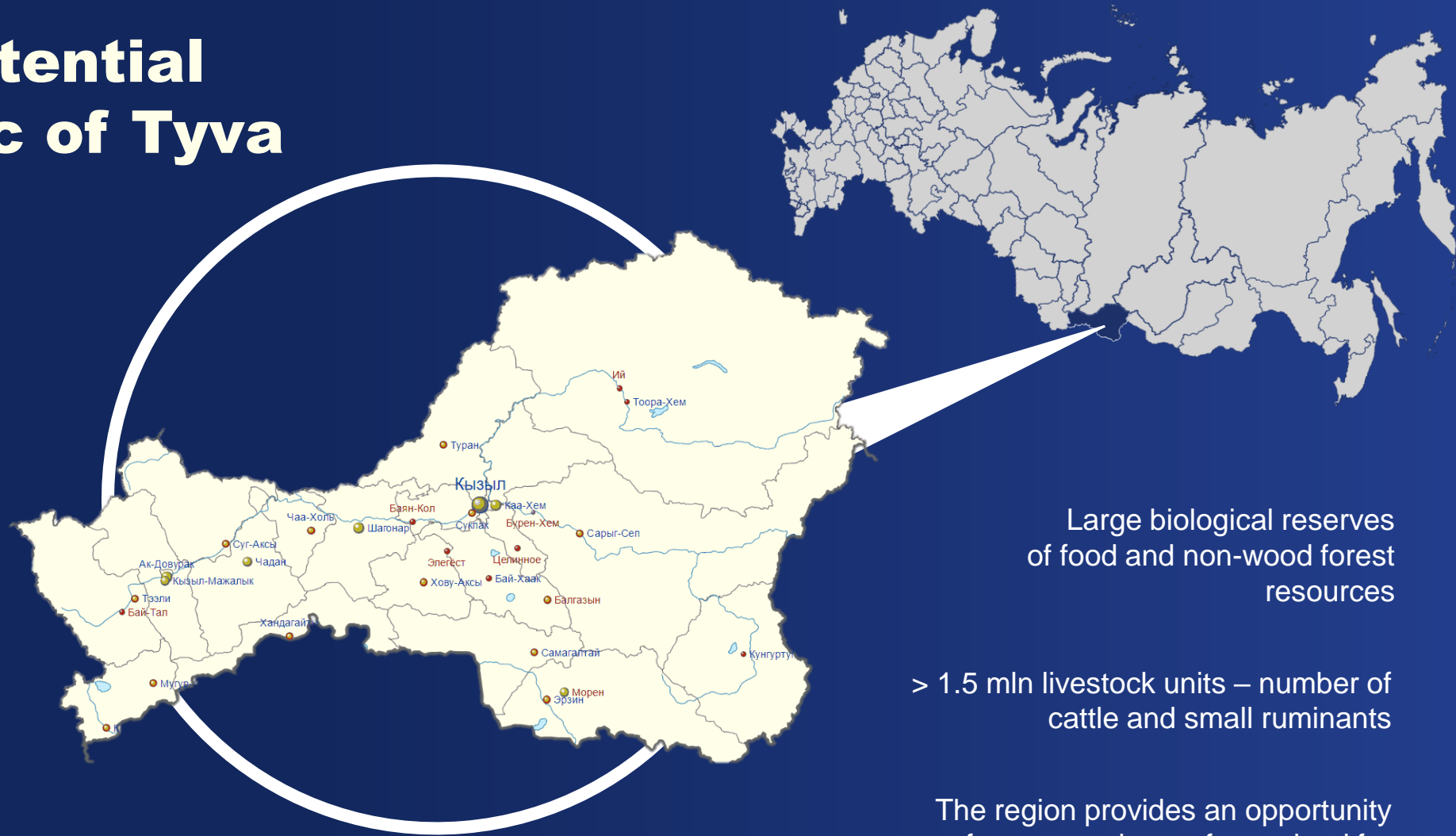
# Investment Potential of the Republic of Tyva

**168.6** thous. km<sup>2</sup>  
area

**330.4** thous. people  
population

**130.7** thous. people  
labour-force

RUB **20.2** bn  
industrial output



Large biological reserves  
of food and non-wood forest  
resources

> 1.5 mln livestock units – number of  
cattle and small ruminants

The region provides an opportunity  
of year-round use of grassland for  
cattle and small ruminant grazing



Copper  
**259.6**  
billion tons



Coal  
**4,068**  
billion tons



Asbestos  
**2.9**  
million tons



Gold  
**31**  
tons

# Proximity of Khandagayty SEZ to the sales market will allow for increasing the turnover of funds



Proximity to the Mongolia border and Khandagayty checkpoint, which will allow for reducing the time of delivery to customers



Part of the route “Krasnoyarsk – Abakan – Kyzyl (the Republic of Tyva, Russia) – Khandagayty (the Republic of Tyva, Russia) – Ulaangom (Mongolia) – Khovd (Mongolia) – Ürümqi (China)”



Reconstruction and development of Khandagayty in 2023, as well as development of a cross-border road corridor, will enable other regions of Siberia to directly access the markets of Mongolia and Western China

According to estimates, the goods turnover of the Republic of Tyva will increase more than **eightfold** by **2032**, while the freight traffic will increase **tenfold**





## Tax Advantages

# A set of exemptions and concessions allows for saving up to 35% in costs

Tax	Base Rate	SEZ Treatment
Corporate income tax	20 %	2 % during first 5 years 7 % during the next 5 years 15.5 % for the remaining period
Corporate property tax	2.2 %	0 % for 10 years
Land tax	1.5 %	0 % for 5 years
Transport tax	Up to 15 %	0 % for 10 years



Preferential treatment in respect of amortisation of fixed assets



Benefits for land allocation (lease payments from 1% to 2% from the cadastral value per year)



Possibility to apply the free-customs-zone regime



Utilisation of engineering, social, customs, logistics, and other infrastructure of the SEZ

# Free-Customs-Zone Regime

**0%** VAT  
Import duty

## Flexible customs-payment system:

Customs duties and VAT are paid either for the final product as a whole, or for its imported components only

## Deferred customs payment

and no costs for a temporary storage warehouse

## Exemption from import customs duties

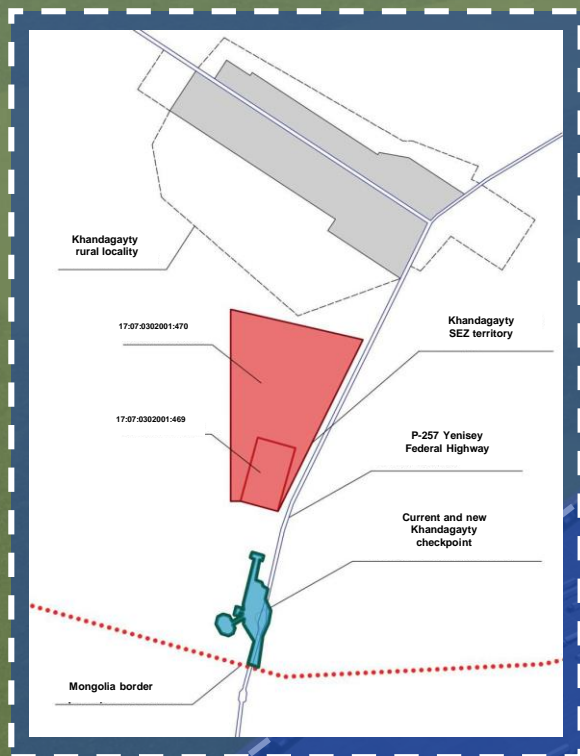
and/or taxes levied on foreign equipment, should the free-customs-zone procedure be applied within the SEZ territory, until the expiry of the agreement for carrying out activities

## Possibility of duty-free warehousing

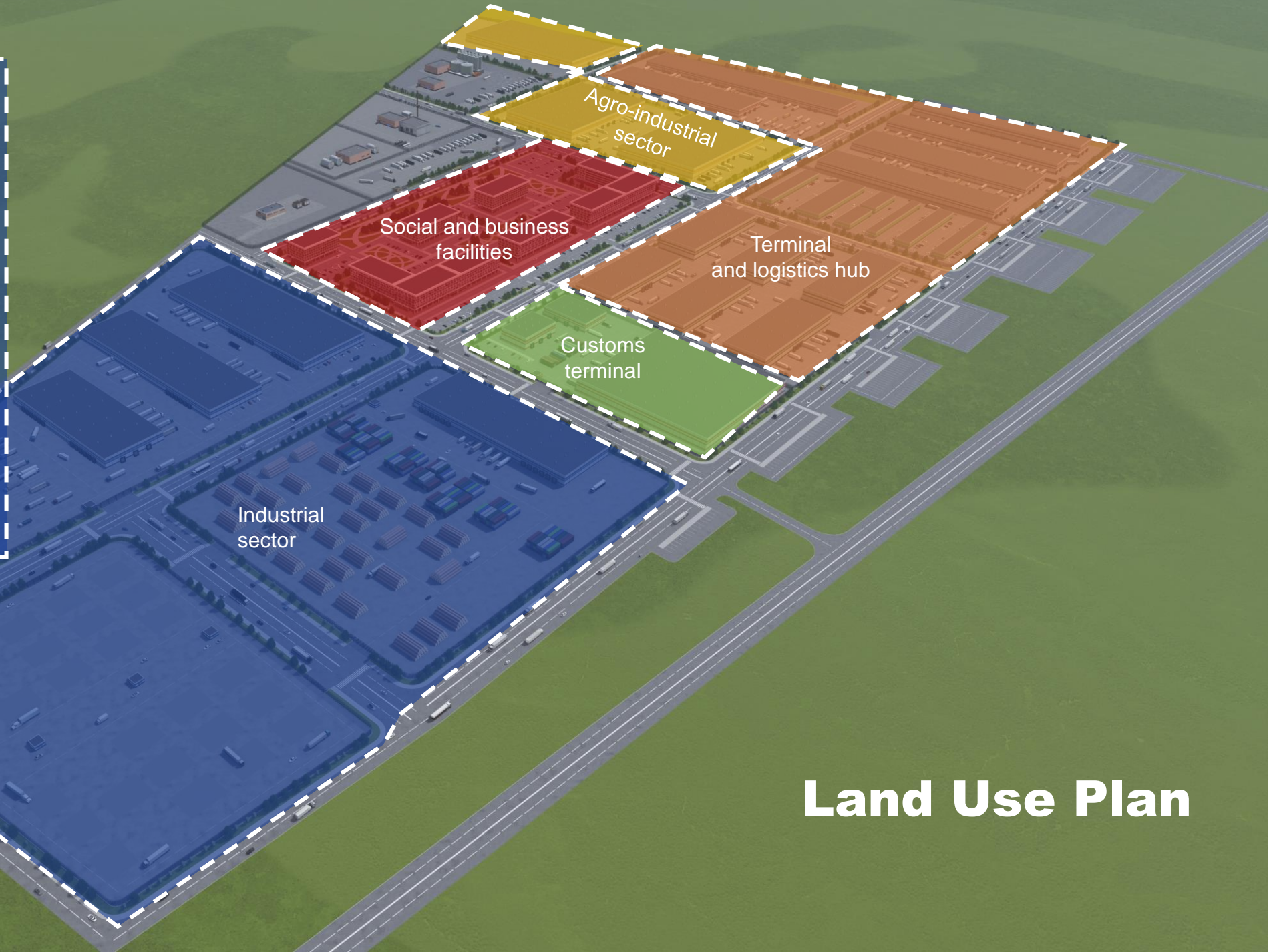
of imported goods within the SEZ territory for an almost indefinite period of time







Plot map  
relative to the checkpoint  
and settlement



**Land Use Plan**



# Khandagayty IPSEZ Parameters



100 ha – total area

2023-2032 – project execution timeframe

RUB 27 bn – amount of investment

2,117 – number of jobs

Electricity – 40,671 kW

Water supply – 3,921 m<sup>3</sup>/day

Heat supply – 18 Gcal-hr

Wastewater disposal – 1,989 m<sup>3</sup>/day





# Khandagayty SEZ Focus Areas



Food production



Meat processing



Production of dietary supplements and herbal teas



Green cosmetics production



Light industry enterprises



Woodworking and timber-frame housing

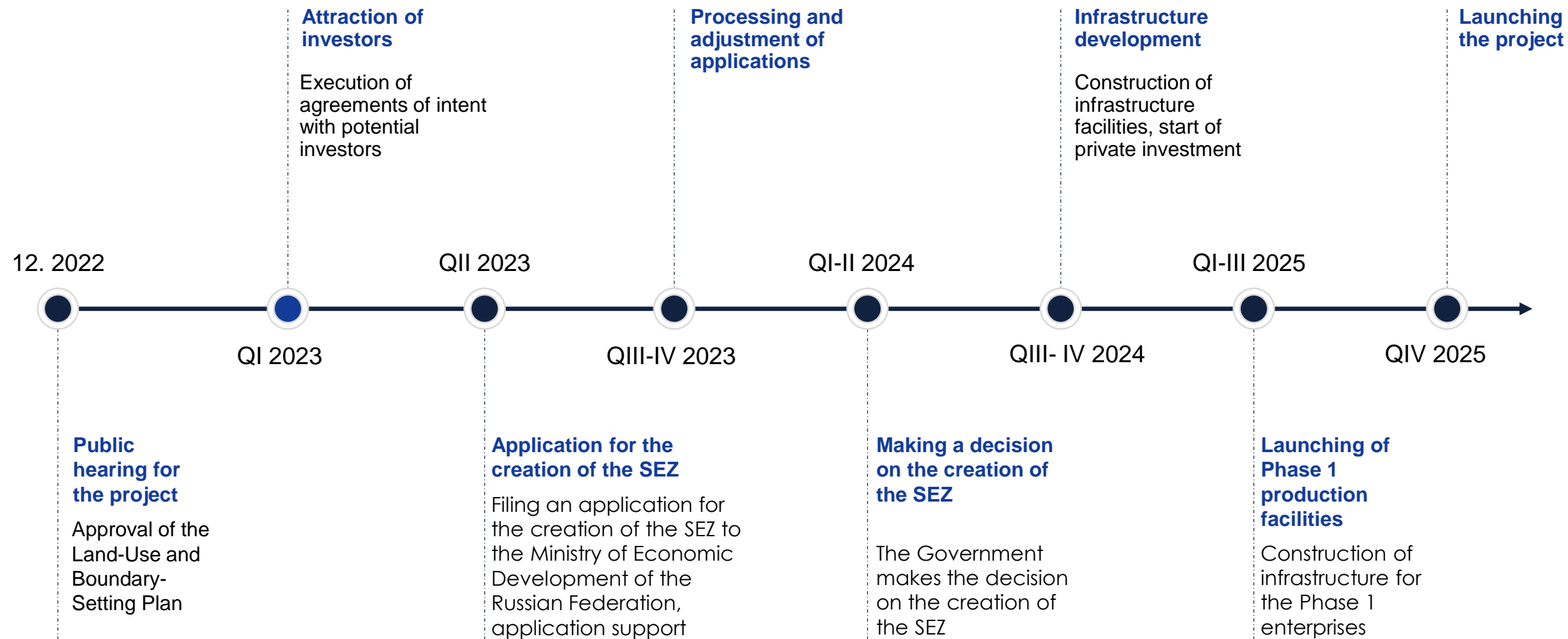


Activated carbon production and/or enterprises engaged in the spheres where activated carbon is used



Manufacturing of prefabricated buildings

# The project is scheduled to have been completed by 2026





# How does one become a resident?



## An Agreement of Intent

is concluded between the investor and the Government of the Republic of Tyva (in order to provide a rationale for creation of the SEZ)



## Selection of the site

within the SEZ territory, preparation of a business plan and filing of an application for conclusion of an agreement for carrying out of industrial production activities within the SEZ



## Conclusion of an agreement

for carrying out of industrial production activities within the SEZ

# \$1,700,000

minimum amount of investment

Including \$600,000 within 3 years after the agreement conclusion (except for intangible assets)

## Carrying out of the following activities is prohibited within the SEZ:

production and processing of excisable goods (except for manufacture of light motor vehicles, motorcycles, production and processing of ethane, liquefied petroleum gases, and liquid steel)

development of mineral deposits, except for development of deposits of mineral waters and other natural curative resources

deployment of housing facilities

In accordance with the Law on SEZ, SEZ residents are not entitled to have any branches or representative offices outside the SEZ territory

One does not need to become a resident, in order to invest into/ take lease of production and/or logistics infrastructure

**To obtain more detailed information or discuss potential cooperation, please, do not hesitate to contact in any way convenient for you**

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